1

Report of The Agricultural Debt Redemption Committee 1935

K. George
Chairman

KSA LIBRARY, B'lore
B001745
630 1935
II-36

X;75(J).4429
N35'4
N35
CBD F645.

GEN. & REV. SECRETARIAT
LIBRARY.
17.2.36
No. R.1738

REPORT

OF THE

AGRICULTURAL DEBT REDEMPTION COMMITTEE

Karnataka State Archives,
(Departmental Library)
ಕರ್ನಾಟಕ ರಾಜ್ಯ ದಸ್ತಾವರ
(ಇಲಾಖಾ ಗ್ರಂಥಾಲಯ)
ಪುಸ್ತಿ ಕ್ರಮಾಂಕ Accession No. 1745 (B)
ದಿನಾಂಕ Date.....

TRIVANDRUM:
PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRESS,
1935.

CONTENTS.

CHAPTER I.

Introductory.

Paragraph			*Page*
1	Appointment of the Committee	...	1
2	Personnel	...	2
3	Terms of reference and scope of enquiry	...	3
4	Period of the Committee	...	4
5	Plan of work	...	,,
6	Collection of statistics	...	5
7	Questionnaire	...	6
8	Itinerary	...	,,
9	Conclusions and recommendations	...	7
10	Acknowledgments	...	,,

CHAPTER II.

Some Basic Facts.

11	The scope of the present enquiry	...	9
12	The plight of the agriculturists	...	,,
13	The improvidence of the agriculturist.	...	10
14	The extent of agricultural enterprise in recent times	...	11
15	The main sources of credit	...	,,
16	The burden of interest	...	14
17	The attitude of the creditors	...	,,

CHAPTER III.

Some Basic Facts—(*contd.*)

18	The fall in the prices of agricultural produce	...	15
19	The fall in the value of land	...	17

CHAPTER IV.

General Conclusions.

20	Definition of 'Agriculturist'	...	20
21	'Agricultural Debts'	...	21
22	The need for Government intervention	...	24
23	The extent of agricultural indebtedness	...	25

Paragraph		*Page*
24	Nature of relief called for ...	26
25	Why the agriculturist requires relief in preference to others ...	27
26	When the depression began ...	28

CHAPTER V.

Relief Proposals.

27	General lines of relief ...	30
28	Direct financing by the State not practicable ...	,,
29	Classification of debts ...	31

CHAPTER VI.

Relief Porposals—(*contd*).

DEBT CONCILIATION BOARDS.

30	Conciliation as a method of debt relief ...	33
31	The Attitude of the public ...	34
32	Conciliation to be voluntary ...	35
33	Conciliation and repayment ...	,,
34	The Committee's scheme of debt conciliation ,	,,
	(i) Jurisdiction of the boards ...	36
	(ii) Composition of the board ...	,,
	(iii) Functions of the board ...	,,
	(iv) The lines of conciliation ...	37
	(v) Re-opening past transactions ...	,,
	(vi) Agreement before the board ...	38
	(vii) Decision and certificate of the board where parties do not agree ...	,,
	(viii) When the court should not allow costs and interest ...	39
	(ix) Where the court may take into consideration the decision of the board and the conduct of the parties ...	,,
	(x) Brief note on the functions of the debt conciliation board ...	,,
	(xi) The procedure of the board ...	40
	(xii) Application for settlement between a debtor and his creditors ...	,,
	(xiii) Particulars to be stated in application ...	,,
	(xiv) Notice calling upon creditors to submit statements of debts ...	41
	(xv) Bar of civil suits ...	,,

Paragraph		*Page*
	(xvi) Bar of appeal or revision ...	42
	(xvii) Appearance of party before board by agent or by legal practitioner ...	,,
	(xviii) Suits and decrees and conciliation boards.	,,
	(xix) Extension of limitation ...	
	(xx) The nature of the proceedings of the board ...	43
	CHAPTER VII.	
	Relief Proposals.—(*contd.*)	
	SPECIAL DEBT CONCILIATION BOARDS.	
35	Special boards ...	44
36	Special boards for Kuttanad agriculturists and rubber planters ...	,,
37	The Kuttanad agriculturists ...	45
38	The point of view of Kuttanad agriculturists ...	48
39	The point of view of Kuttanad creditors ...	50
40	The need for amicable settlement ...	51
41	The point of view of the indebted planters ...	52
42	The point of view of the coastal firms ...	56
43	The need for a practicable settlement ...	60
44	Special boards for co-operative societies ...	62
	CHAPTER VIII.	
	Relief Proposals—(*contd.*)	
	TRANSACTIONS COMING BEFORE THE COURTS.	
45	Rates of interest ...	63
46	Recovery of decree debts in instalments ...	70
47	Sales of property in court auctions ...	72
48	Mortgage with possession (Otti) ...	75
49	Arrest and imprisonment of the debtor ...	76
	CHAPTER IX.	
	Relief Proposals—(*contd.*)	
	MISCELLANEOUS.	
50	Chitties ...	79
51	Paddy loans ...	82
52	The Land Mortgage Bank ...	84
53	Agricultural loans ...	86
54	Future financing of agriculture ...	,,
55	Relief before the new legislation ...	87
56	Temporary character of the provisions ...	,,

CHAPTER X.

Measures adopted and proposals made elsewhere.

Paragraph			*Page*
58	Bhavanagar State	...	58
59	Central Provinces	...	,,
60	United Provinces	...	91
61	The Punjab	...	93
62	Bengal	...	,,
63	Mysore State	...	94
64	Madras	...	96
65	Cochin State	...	97

CHAPTER XI.

66-69	**Concluding Remarks.**	...	99
	Summary of conclusions and recommendations	...	103
	Statistical Appendix—(Appendix No. I).	...	123
	Patterns of Schedules A and B	..	153
	Supplementary Note by Mr. T. Kumara Pillai	...	155
	Do. Do. by Mr. P. A. Abraham	...	161
	Dissenting Note by Mr. M. K. Ananthasiva Iyer	...	163
	Appendix II—Questionnaire	..	190
	Appendix III—Government Order appointing the Committee	...	199

Charts and diagrams.

		To face page
1.	Diagram showing trend of agricultural prices.	16
2.	Diagram showing trend of staple commodity prices ...	,,
3.	Diagram showing variations in the price of copra ...	,,
4.	Diagram showing variations in the price of pepper ...	,,
5.	Diagram showing variations in the price of ginger ...	,,
6.	Diagram showing variations in the price of turmeric ...	,,
7.	Diagram showing correlation between the values of land and transactions in land. ...	18
8.	Map of Kuttanad ...	45
9.	Diagram showing distribution of debts and debtors ...	128

REPORT

of the

AGRICULTURAL DEBTS REDEMPTION COMMITTEE.

CHAPTER I.

Introductory.

1. Appointment of the Committee.

The Agricultural Debts Redemption Committee was appointed by G. O. R. O. C. No. 190/35/Rev., dated the 9th January, 1935 (Appendix III). The circumstances that led to the appointment of the Committee are stated in the following extract from the Government Order: —

"Owing to the abnormal fall in the prices of agricultural products, many agriculturists who have borrowed money find themselves unable to meet their liabilities and are thus in danger of having their lands sold in court auction at low price in satisfaction of decrees obtained against them. On the other hand, the creditors are unable to obtain satisfaction of the decrees without recourse to courts of law and are thus compelled to incur legal costs frequently, without obtaining, in a majority of cases, full satisfaction of the debts due to them, owing to the low price fetched by the sale of lands at the present time. With a view to prevent the sale of the agriculturists' lands on the one hand and to enable the creditors to obtain the moneys due to them on the other, steps are being taken in some of the British Indian Provinces and in a few Indian States to reduce the rates of interest and to concert measures for the relief of agricultural indebtedness in general. The reliefs granted by this Government by way of reduction in the tariff value of coconut products, remission of a portion of land tax, reduction in the rates of school

G. P. T. 392, 500. 4-3-1111.

fees, reduction of the rate of interest on loans issued by Government for agricultural purposes, raising the maximum in the case of loans issued by the State Land Mortgage Bank etc., have not, it is alleged, substantially contributed to the solution of the problem of agricultural indebtedness. Government were, accordingly, anxiously considering ways and means to tackle the problem in other directions.

"It was at this juncture that a deputation of non-officials waited on the Dewan and submitted a scheme on the subject for the consideration of Government. A conference was held at Bhaktivilas, on the 13th December, 1934, under the presidency of the Dewan, to consider the above scheme. There was an informal and full discussion of the various aspects of agricultural indebtedness. The Conference recognised the need for a thorough investigation and for fuller and more detailed information, especially statistical."

Government accordingly, resolved to refer the whole question to a Committee of officials and non-officials.

2. Personnel,

The Committee was constituted with the following personnel:—

(1) K. George, Esq., B. A., *Land Revenue and Income Tax Commissioner, (Chairman)*;

(2) Kayyalam Parameswaran Pillai, Esq., B. A., B. L., *Additional Head Sirkar Vakil*;

(3) R. Nilacanta Pillai, Esq., B. A., B. L., *Financial Secretary to Government*;

(4) A. Gopala Menon, Esq., M. A., B. Com., *Principal, H. H. the Maharaja's College of Science, (from the 20th April 1935)*;

(5) P. A. Abraham, Esq., B. A., B. L., *High Court Vakil, Trivandrum*;

(6) M. K. Anantasiva Aiyar, Esq., *Monkompu, Alleppey*; and

(7) T Kumara Pillai, Esq., *Kalkulam.*

Mr. M. O. Varghese, M. A., was appointed Secretary to the Committee with effect from the 24th January, 1935.

Except for three months from the 23rd January, 1935, to the 22nd April, 1935, when he was on leave, Mr. K. George, the Chairman, held office throughout the period of the Committee. In his absence, Mr. P. Viswanatha Aiyar, B. A., Ag. Land Revenue and Income Tax Commissioner, was in charge of the Chairman's duties. Mr. Kayyalam Parameswaran Pillai, the Additional Head Sirkar Vakil, was on leave for about a month and, in the vacancy, Government appointed Mr. A. Gopala Menon, Principal, H. H. The Maharaja's College of Science, to be a member of the Committee. On the return of Mr. Parameswaran Pillai from leave, Mr. Gopala Menon was retained on the Committee as an additional member. Mr. R. Nilakanta Pillai, Financial Secretary to Government, was on leave for four months and, in his absence, his place on the Committee was held by Mr. C. S. Krishnaswamy Aiyar, Ag. Financial Secretary to Government. Mr. Nilacanta Pillai rejoined duty on the 22nd August, 1935, and from that date continued to be a member of the Committee.

3. Terms of reference and scope of enquiry.

The terms of reference to the Committee are "to collect data, investigate the extent of agricultural indebtedness and examine the various proposals contained in the non-official schemes submitted to Government and also the methods adopted towards the relief of agricultural indebtedness in the various British Indian Provinces and other Indian States and to suggest such measures of relief as could be given effect to in this State."

We were also given the following specific instructions:—

(i) to deal with agricultural indebtedness only,

(ii) to frame a suitable definition of the expression 'Agricultural Indebtedness',

(iii) to exclude commercial and other kinds of debts from the ambit of our enquiry,

(iv) to ascertain specifically the views of the managers of banks and other moneylenders on the various proposals for the relief of agricultural indebtedness,

(v) to examine the question whether a distinction should not be made between the debts incurred prior to 1105 and those incurred from 1105 onwards, in respect of the relief to be afforded, and

(vi) to collect data and make an intensive investigation of the indebtedness of the agriculturists in a few typical villages.

4. Period of the Committee.

The Committee was directed to submit its report within three months. Although we commenced our work on the 16th January, 1935, *i. e.*, a week after the Committee's appointment, we realized that the problem of agricultural indebtedness was so vast and complex that we could not complete our investigations and submit the Report within the time fixed in the Government Order. The intervention of three sessions of the Legislature, particularly of the Budget Session which three out of the four official members had to attend, necessarily interrupted our work. The Final Report of the Committee was submitted to Government on 1st October, 1935.

5. The Plan of Work.

The general plan of the Committee's work was discussed and settled at the first two meetings. We started with the formulation of suitable definitions of the terms 'Agriculturist' and 'Agricultural debt'. (*Vide* paras 20 and 21)

At the preliminary meetings, we also decided that our investigations should proceed on the following lines :—

(*a*) the collection of statistics of agricultural debt by issuing to the public a sufficiently large number of schedules to be filled up and returned to us by debtors and creditors, (See patterns of schedules at the end of the statistical Appendix.)

(*b*) the issue of a questionnaire, (*Vide* Appendix II),

(*c*) the taking of oral evidence at important centres in the State,

(*d*) the examination of the various non-official schemes and proposals, and

(*e*) the study of the proposals made and measures adopted to meet the situation in the British Indian Provinces and Indian States.

6. Collection of Statistics.

By the terms of reference to the Committee, it was required to collect data and to investigate the extent of agricultural indebtedness and the Government Order indicated that an intensive investigation of the indebtedness of the agriculturists in a few typical villages might be undertaken. The Committee felt that it was not quite feasible to carry out such an intensive survey within the limited time at its disposal. Further, the Travancore Banking Enquiry Committee had collected statistics by a detailed investigation of the indebtedness of thirteen typical villages and the results of that investigation were available to us. Accordingly, the Committee gave up the idea of an intensive survey and, in its place, decided, with the approval of Government, to collect detailed statistics of debt from as many of the debtors and creditors in the country as possible, by obtaining, direct from them, returns showing various particulars relating to agricultural indebtedness. There was, however, strong difference of opinion about the usefulness of such a course, especially when the work had to be completed in a very limited time. But the majority decided to collect statistics in this manner, in the hope that much useful information may thereby be obtained about the extent and nature of rural indebtedness.

We, therefore, issued about, 2,20,000 schedules for the collection of statistics of agricultural debt. The work of distribution of the schedules was done mainly through the Land Revenue Department and also directly from the office of the Committee. Within the period of about a month that we allowed, the total number of schedules returned to us was 58,000, of which 38,000 were from debtors and 20,000 from creditors. The purpose of the schedules was clearly explained in foot-notes as well as in a notification published in the Government Gazette and in the notes issued to the press. The forms were in great demand, but the actual number returned to us fell far below our expectations. When the returns were tabulated and examined, we found that, apart from certain general indications, no accurate estimate could be made from them, of the volume or the nature of debts, debtors and creditors. The results of the study of the returns obtained are given in the statistical Appendix. Our

conclusions are mainly based on the evidence, oral as well as written, placed before us, in the course of our enquiry, by witnesses belonging to all sections of the people, and on the findings of the previous enquiries in the same direction, *viz.*, those of the Banking Enquiry Committee, the Economic Depression Enquiry Committee, the Co-operative Enquiry Committee and the Census Commissioner (*Vide* also paragraph 23).

7. The Questionnaire.

The number of copies of the questionnaire issued to the public was 1,800. The questionnaire was also published in the Government Gazette and issued for publication by the press. The total number of answers sent to us by individuals and associations was 2,357. Of these, about 2,000 were printed copies of the same sets of answers to which the signatories had subscribed. There were also numerous sets of answers to which hundreds of signatures were affixed. Taking all these into account, it may be stated that several thousands of persons furnished answers to the questionnaire. This is probably unprecedented and shows the great interest the public at large have been evincing in the Committee's work.

8. Itinerary.

At the preliminary sittings, the Committee decided to gather oral evidence by examining witnesses at the following centres:—

Thuckalai, Nagercoil, Trivandrum, Quilon, Mavelikara, Alleppey, Kuttanad, Shertalay, Tiruvalla, Kottayam, Kanjirapally and Muvattupuzha.

For the above purpose, the Committee was on tour for 21 days and examined in all 235 witnesses, out of many hundreds who presented themselves to give evidence. Evidence was taken from agriculturists in general, bankers, moneylenders, merchants, co-operators, agriculturists of Nanjinad and Kuttanad, planters, representatives of the European coastal firms and a large number of public men. In nearly every place that we visited, it frequently happened that a large number of people would put up one of themselves as their spokesman and all the rest signify their approval of his evidence.

The Chairman presided over the sittings at Kottayam, Kainady (in Kuttanad), Kanjirapally, Muvattupuzha and Trivandrum. Mr. P. Viswanatha Iyer presided over those at Thuckalai and Nagercoil. Mr. Gopala Menon conducted the sittings at Quilon, Mavelikara, Alleppey and Tiruvalla and Mr. Kumara Pillai presided at the Shertalai sitting.

9. Conclusions and Recommendations.

Excluding the sittings for the recording of oral evidence mentioned in the previous paragraph, the Committee held 30 meetings in all, for the discussion of the various aspects of the subject of our enquiry. We were all along fully conscious of the urgency of the situation and the need for making our recommendations available to Government with all possible expedition. Hence, as soon as our investigations were completed, we held continuous sittings, almost from day to day, till, by the 23rd August, 1935, we had arrived at our final conclusions and recommendations. We, then, decided that, as the preparation of the final Report would take some time, our conclusions and recommendations should be forwarded to Government with the necessary explanatory notes. This was accordingly done on the 29th August, 1935. The draft Report was considered and passed at our final sittings lasting for five days from the 13th to the 18th September, 1935.

10. Acknowledgments.

It has, probably, been the privilege of few other Committees of enquiry to receive so much assistance and co-operation, as we did, from all sections of the people. We would, therefore, record our grateful acknowledgments to all those who assisted us in our investigations, particularly by sending answers to our questionnaire and by giving evidence before the Committee.

We desire also to thank the newspapers of the country for the valuable help they rendered us by writing illuminating articles, drawing our attention to the different aspects of the problem under investigation and also by publishing, free of charges, all the intimations that we had to give to the public, from time to time.

Karnataka State Archives,
(Department of Archives)
(Regional Library)
Accession No....1745(A)
Date.....

We have great pleasure in recording our deep obligation to our Secretary, Mr. M. O. Varghese, for the valuable assistance he has rendered to us in our work, at every stage of it, and especially in the drafting of the Report. He came to us with considerable knowledge of the problem to be investigated, having been Secretary to the Economic Depression Enquiry Committee of 1931 and he was ever ready to place his wide knowledge and experience at our disposal. His mastery of details, his capacity for sustained work and the zeal and earnestness with which he discharged his responsibilities deserve unstinted praise.

We would also express our cordial appreciation of the excellent manner in which our Statistician, Mr. N. Parameswaran Pillai, carried out the highly technical work of tabulating and consolidating the statistical returns.

Our grateful acknowledgments are due to our staff for their whole-hearted co-operation in our work, subjecting themselves to heavy strain and long hours and often sacrificing their holidays.

CHAPTER II.

Some Basic Facts.

11. The scope of the present enquiry.

The distinguishing features of the present situation in respect of the transactions subsisting between creditors and debtors are briefly indicated in the G. O. appointing the Committee. The previous investigations of the problem conducted by the Banking Enquiry Committee and the Census Commissioner were undertaken for the purpose of estimating the extent and scope of rural debts at a time when conditions were not so abnormal or acute as they are at present. The present enquiry is concerned mainly with the effects of the prevailing depression on agricultural debtors and its object is to devise measures for giving them relief without seriously affecting the interests of the creditors.

12. The plight of the agriculturists.

The decade that followed the war was marked by the high prices of our agricultural products and the consequent rise in the value of agricultural land. These, in their turn, increased the credit of the agriculturists and their borrowing capacity and those who had money to lend were generally inclined to lend as freely as the agriculturists were prepared to borrow. A portion of the loans thus raised was no doubt utilized for domestic and social expenses, such as marriages, education of children, etc. But there can be no doubt that a very considerable proportion of the loans was invested on the purchase and improvement of land. Over and above such direct borrowing, money was also raised by bidding *chittles*. Towards all these debts, land, both previously owned and newly acquired, was extensively hypothecated. It satisfied both parties as long as high prices ruled the market and, if economic conditions had remained what they were, the present situation might not have arisen, as ordinarily the agriculturist would have been in a position to meet his expenses and discharge his obligations, at any rate, to a considerable extent, from the income of his agricultural holdings. But, then, the depression set in, bringing with it a sharp fall in the prices of coconut and paddy and rubber and all other products of agriculture.

Consequently, the cultivator's assets underwent a rapid depreciation and the yield of his land ceased to give any adequate margin to admit of repayment of debts. The weight of debt became heavier and heavier, day by day, and the repayment of debts and even the payment of interest became irregular.

13. The improvidence of the agriculturist.

There is a tendency in certain quarters to hold the agriculturist entirely responsible for the plight in which he finds himself at the present day. We do not think that it is just to ascribe the whole situation to the extravagance, improvidence, speculative dealings and unproductive borrowings of the agriculturists. It may be admitted that most agriculturists in this country have a great partiality for investments in land and sometimes they purchase land not for its economic value, but at fancy prices. We are, however, inclined to the view that the agriculturists no more deserve these charges than the other classes of producers in the country. We find that, in this view, we are supported by the Banking Enquiry Committee who have recorded their considered opinion that the agriculturists of Travancore are not extravagant, as a rule. (*Vide* paragraph 63 of the Report). In spite of all his faults, either real or imputed, it has to be admitted that the agriculturist has, generally speaking, got a high sense of honour and personal integrity. In normal times, he had been, generally speaking, keeping up engagements and meeting liabilities. Nor have we observed anywhere, even under the present severe strain, any general tendency or inclination towards wilful evasion of payments or repudiation of debts. We believe that over-topping all considerations relevant to the present situation stands the fact that the depression has descended on the agriculturists with unexpected suddenness and severity and that they have to suffer on account of forces beyond their control.

The results of the previous investigations have shown that agriculture, particularly the cultivation of paddy, leaves very little margin of profit to the cultivator even in normal times. In recent years, the agriculturists have had to face floods and droughts in succession and the consequent failure of crops, side by side with declining prices. These circumstances also have contributed to their present plight.

14. The extent of agricultural enterprise in recent times.

It will not also be out of place to state here certain significant facts about the enterprise of the agriculturists in Travancore and the vast contribution they have made, in recent years, to the development of the resources of the State. In 1095 (1919-20), the total area of land under occupation was 2,081,039 acres, consisting of 5,00,883 acres of wet land and 1,580,156 acres of dry land. In 1104 (1928-29), the year before the setting in of the depression, the total area of land under occupation was 2,523,008 acres, made up of 6,04 916 acres of wet land and 1,918,092 acres of dry land; that is to say, during the ten years preceding the depression, the agriculturists of Travancore brought under occupation 1,04,033 acres of wet land and 337,936 acres of dry land. The conversion of 20,000 acres of dry land into wet, in Nanjinad, and the reclamation of about 50,000 acres of Kayal land in Kuttanad during the past two or three decades speak of the stupendous efforts of the agriculturists of these areas to bring more land under paddy cultivation. If we turn to the uplands of the interior, they have the same story to tell. Between 1100 (1924-25) and 1109 (1933-34), 88,715 acres of land have been assigned for cultivation. Most of these lands have been opened up and planted with a variety of produce such as tea, rubber, pepper, etc. The increasing population have spread themselves to the unopened and undeveloped tracts in the interior and built homesteads and planted their holdings with cocoanut, jack, and mango trees, the pepper-vine and so on. There has been remarkable increase during this period in the area grown with paddy, coconut, tapioca, tea, rubber and pepper. Even if it is stated that the agriculturists were indulging in land speculation, it will be admitted that it was a speculation by which the State and the general community have benefited permanently. In such circumstances, it will be only fair to lend a helping hand to them, now that they have fallen on evil times.

15. The main sources of credit.

The principal agencies from which the agriculturists borrow money are the moneylender (professional as well as agriculturist), joint stock banks, co-operative societies, chitties and the Government.

The Government loans reach only a small section of the agriculturists. The total amount outstanding at the close of 1110 (1934-35) under agricultural loans was only about Rs. 16 lakhs. The loans applied for are generally for land improvement; the smaller loans intended to meet the current expenses of cultivation are not made use of to any appreciable extent.

The bulk of agricultural credit is supplied by rural money-lenders (See paragraph 68, Banking Enquiry Committee Report). Many of them are also big land-owners. Their terms of business vary according to their resources, the nature of the security offered, the demand for credit and the position of the borrower. As a rule, they do not care for further investments in land, as the return from land is much smaller than that from the lucrative pro ession of money lending. The relations between the lenders and the borrowers are, generally speaking, remarkably different in Travancore from what they are elsewhere in India. The sowcar type of money-lender, for instance, is rare in this country. Exactly a hundred years ago now, our ordinary laws made provisions against usury and oppression by the moneylender.

At present, the realization of outstanding loans has become all but impossible and the present value of securities in land does not suffice to liquidate the debts charged on them. The bigger moneylenders are anxious only to see that their investments are safely secured and do not seem to be very particular to get back cash all at once. They would even be satisfied with a lower return on their investments, provided payment would be regular. Most of them realize the real difficulties of their clients and are found, in many cases, ready to lighten the burden of debt on them, by reducing the rates of interest and granting other concessions. The evidence we collected at Alleppey, and other places, from both debtors and creditors, goes to substantiate the above observations.

There are also extensive loan transactions among agriculturists themselves. In fact, a great many of those who are ordinarily classed as moneylenders in the usual returns are agriculturists as well as moneylenders. They are numerous; their investments are small and their rates of interest higher than those charged by the bigger moneylenders.

The joint-stock banks used to lend to the well-to-do agriculturists mostly on personal security, but to some extent also on the security of land. After the depression began to take a serious turn, their dealings with the agriculturists have decreased and fresh loans are not generally advanced now. The business of the banks with the agriculturists is, to some, extent intertwined with chitty transactions and a class of moneylenders and bankers has arisen from chitty operations. It is obvious that ordinarily the joint-stock banks can provide only short-term commerical credit; but the ingenious chitty system has enabled the banks in this country to attract what may be regarded as compulsory deposits from agriculturists and then to allow them long-term loans, in the shape of prized chitty amounts, which, under the safeguard of penal conditions of repayment, carry, in effect, interest at heavy rates, generally not less than 18 per cent.

The banks are, of course, themselves debtors to a very large extent. They have borrowed money by way of deposits and paid interest at agreed rates to their constituents and issued dividends on the basis of the rates contracted for by their borrowers. They are, therefore, generally opposed to any rule regulating rates of interest on loans already advanced, whether for past periods or for the future.

The co-operative societies render considerable assistance to the smaller agriculturists in particular, by advancing small loans at prescribed rates of interest which cannot be said to be low. The borrowers do not generally abide by the conditions of repayment and finally have to pay rates even higher than those ordinarily charged by moneylenders. (*Vide* paragraphs 21 & 44).

As regards chitties, the ordinary half-yearly ones have all practically come to a stand-still. The monthly chitty is the vogue, the subscribers being mostly those with fixed monthly incomes. At present, chitties have ceased to be a source of agricultural credit. Further more, there is a wide-spread feeling that this peculiar institution has been ruinous to the agriculturists as a class. (*Vide* also the observations made by the Banking Enquiry Committee in Chapter IV, paragraph 64, and Chapter XIII of their Report)

16. The burden of interest.

The rate of interest on Government Land Improvement and Agricultural loans has been reduced from 6 to 4 per cent from the beginning of 1110, (1934-35). The co-operative societies lend at 10½ per cent. but, including penal interest, the rates go up to 16 percent. The bank rates show a general decline, but still vary between 12 and 15 per cent. Some joint-stock banks and private banks still charge *vattom* and commission, which raise the actual interest as high as 24 per cent and also realize compound interest by regular periodical renewals. The rates of interest prevailing in Nanjinad are, according to all accounts, the highest in the State. The poorer agriculturists of the region, we have been told, have sometimes to pay more than 50 per cent on the loans advanced by petty moneylenders. The interest on paddy loans varies between 10 and 20 per cent, though in special cases, there is a tendency towards lower rates in Kuttanad.

17. The attitude of the creditors.

Creditors in general realize that unless substantial concessions are allowed, their debtors would not be able to discharge their liabilities. Both the moneylenders and some of the leading bankers have expressed their willingness to settle debts, by mutual negotiations, and to allow substantial reduction in book debts, provided payments would be made in cash. The bankers have expressed the apprehension that, if lump payment of the amounts so settled is not possible, they would have to suffer heavy losses, in case rates of interest on outstanding loans are reduced by legislation.

CHAPTER III.

Some Basic Facts—(*Contd.*)

18. The fall in the prices of agricultural produce.

The average prices of our staple articles of agricultural produce are given in the following table. The prices of copra, pepper, ginger, and turmeric that are dealt with below are the Alleppey prices supplied by the Travancore Chamber of Commerce. The prices of Kuttanad and Nanjinad paddy were collected from the books of wholesale dealers in the two localities.

Average prices of staple commodities.

Year	Copra Rs. per candy.	Pepper Rs. per candy.	Ginger Rs. per cwt.	Turmeric Rs. per cwt.	Paddy (Kuttanad) Chs. per standard para	Paddy (Nanjinad) Chs. per standard para.
1097 (1921-22)	96	150	..	..	..	...
1098 (1922-23)	101	150	...	..	24	..
1099 (1923-24)	113	150	..	35	23	..
1100 (1924-25)	113	250	60	..	26	34
1101 (1925-26)	105	400	..	..	24	32
1102 (1926-27)	90	400	..	..	24	30
1103 (1927-28)	111	630	..	..	24	32
1104 (1928-29)	95	500	35	16	21	29
1105 (1929-30)	76	250	30	15	18	23
1106 (1930-31)	58	170	20	8	16	18
1107 (1931 32)	69	206	11	9	12	17
1108 (1932-33)	61	156	9	9	12	16
1109 (1933-34)	37	138	11	9	10	13
1110 (1934-35)	45	166	28	14	11	19

If we take the prices of the year 1101 as the base and compare with it the variations in prices during the last decade we get the following results:—

Fall in the price of	copra	...	65 per cent.
Do.	pepper	...	65 per cent.
Do.	ginger	...	82 per cant.
Do.	paddy	...	60 per cent.
Do.	turmeric	...	74 per cent.

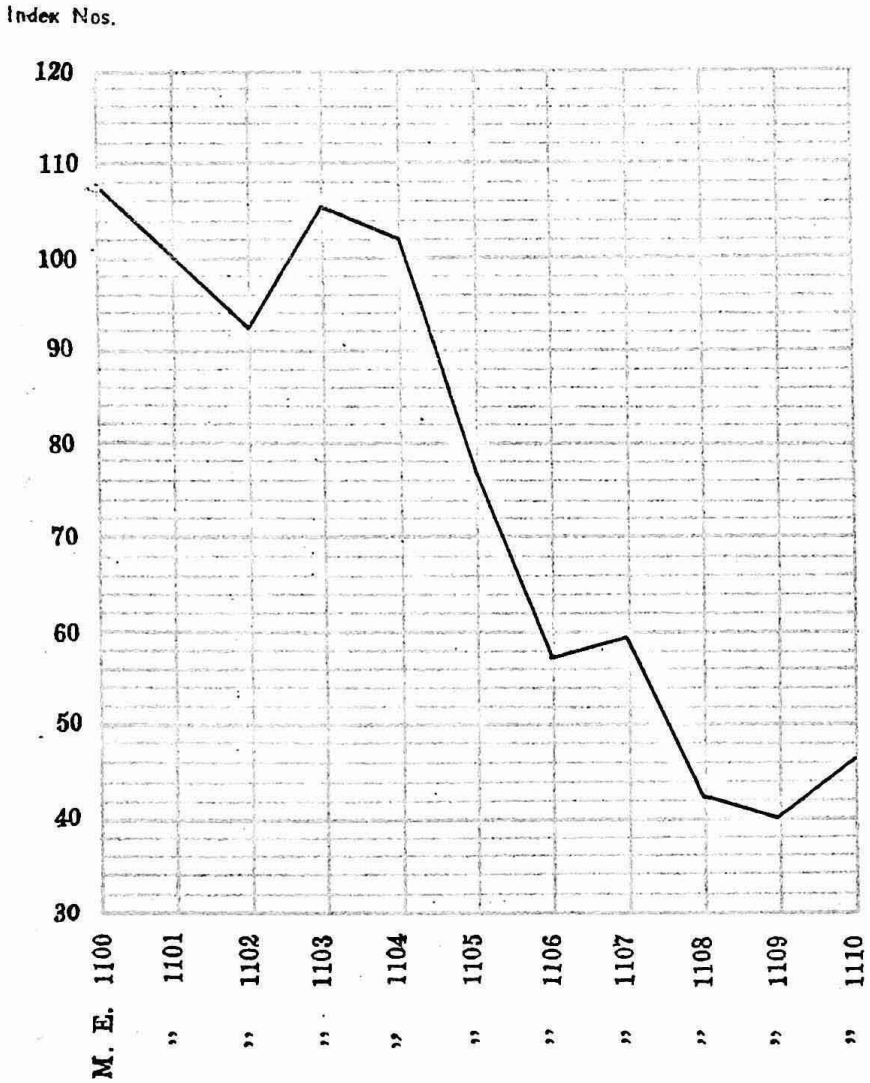
Index numbers of the prices of staple commodities.

Year	Copra.	Pepper.	Ginger.	Turmeric.	Paddy (Kuttanad.)	Paddy (Nanjinad)
1101 (1925-26)	100	100	100	100	100	100
1102 (1926-27)	86	100	..	..	100	94
1103 (1927-28)	106	158	..	..	100	100
1104 (1928-29)	90	125	58	46	88	91
1105 (1929-30)	72	63	50	43	75	72
1106 (1930-31)	55	43	33	23	67	56
1107 (1931-32)	66	51	18	26	50	53
1108 (1932-33)	58	39	15	26	50	50
1109 (1933-34)	35	35	18	26	42	41
1110 (1934-35)	43	42	47	40	46	59

Taking the general trend of the prices of agricultural produce, we find that prices have, in a decade, fallen by 60 per cent.

The year 1110 (1934-35) has marked a rise in the prices of all kinds of produce; but this rise is, to a large extent, due to diminished yield resulting from the failure of the rains. The present rise in the prices of Nanjinad paddy and of ginger is, without doubt, due to the failure of crops.

Diagram showing trend of agricultural prices.



LITHO. THE ART PRINTING WORKS. TRIVANDRUM.

Diagram showing trend of staple commodity prices.

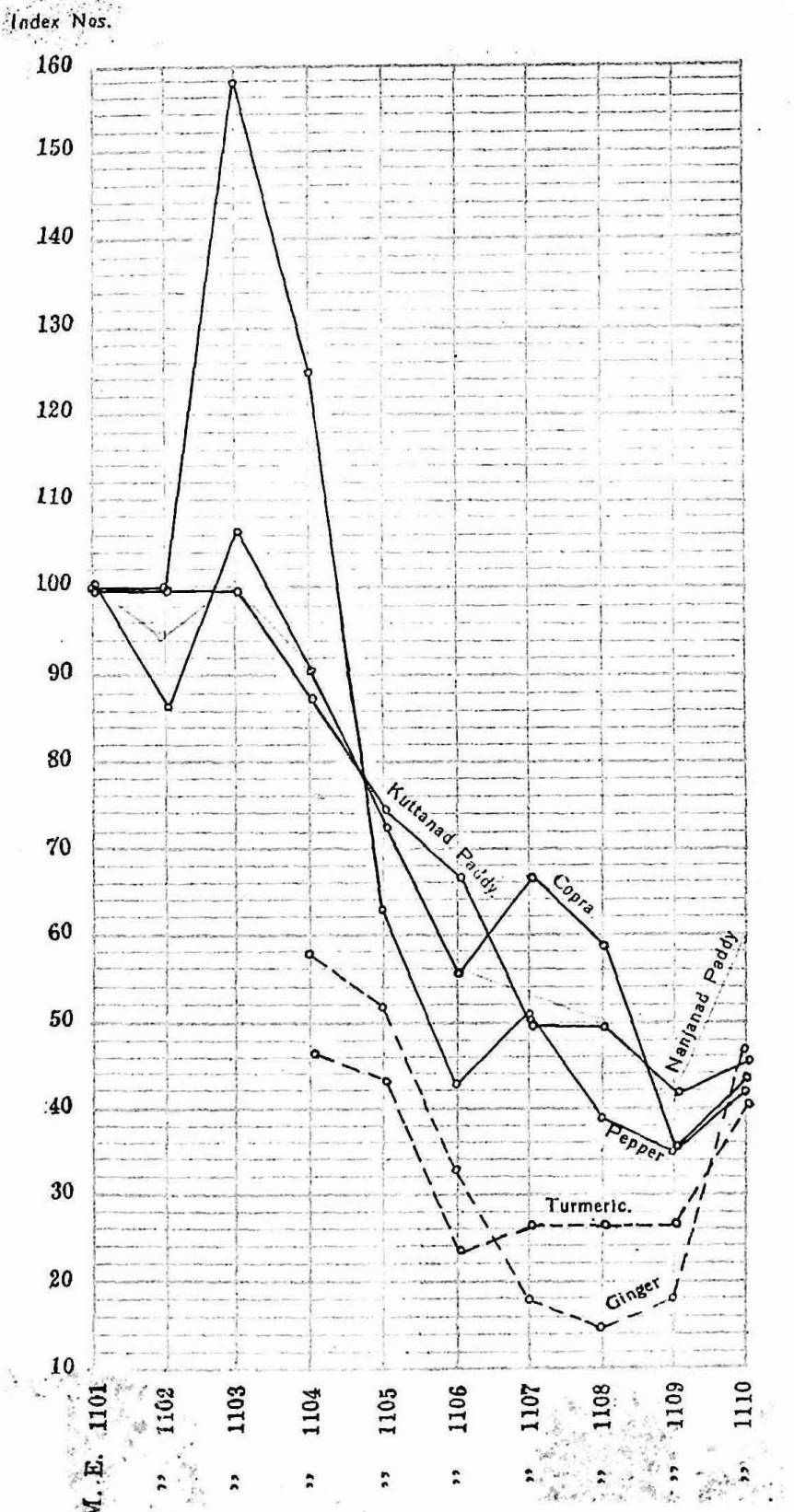
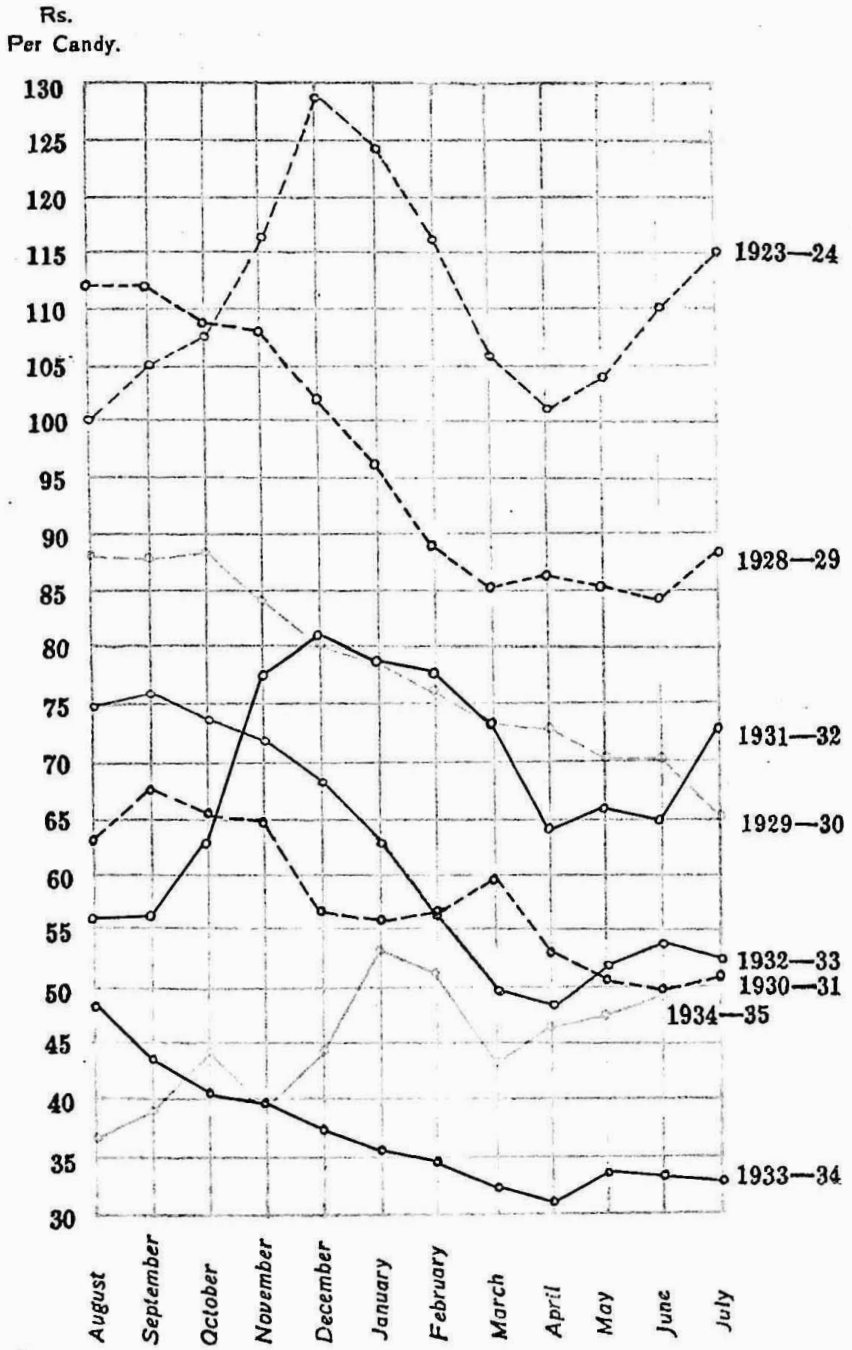
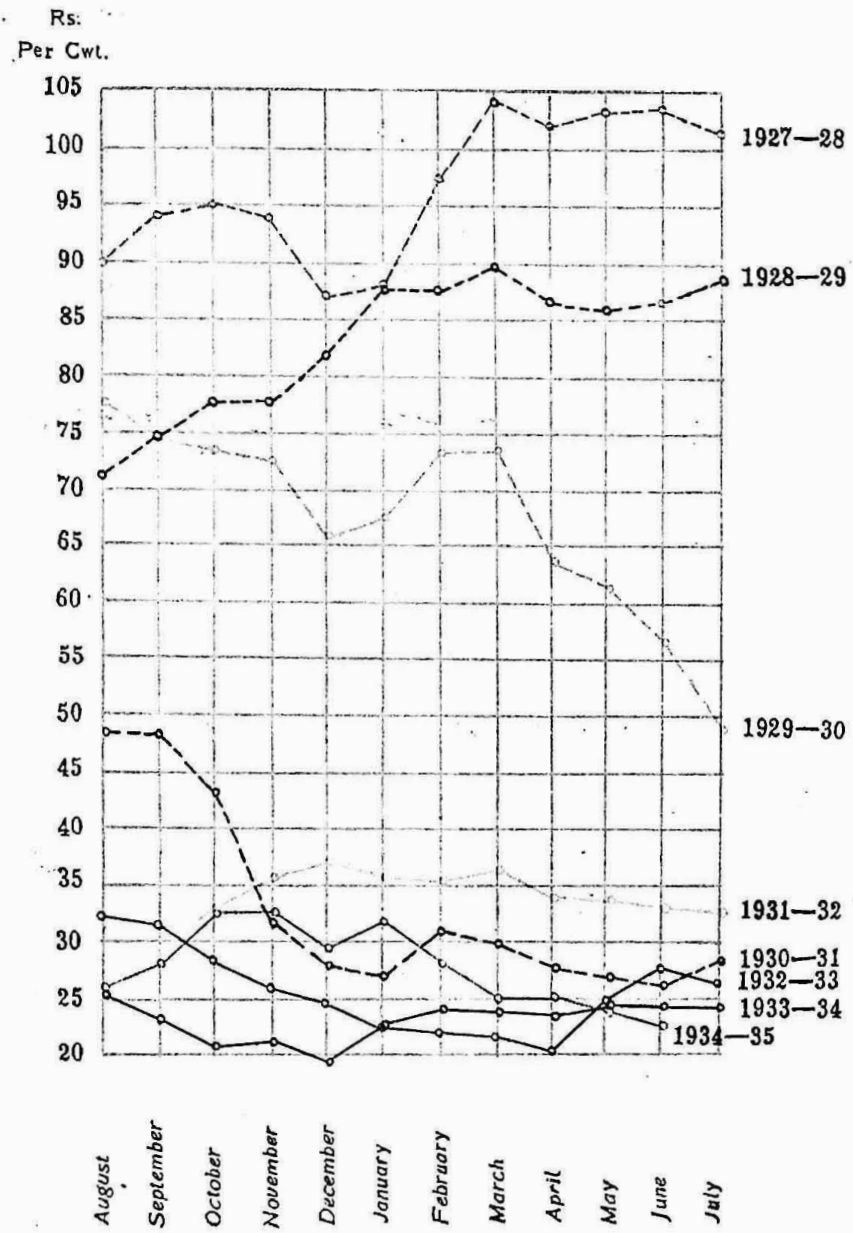


Diagram showing variations in the price of copra.



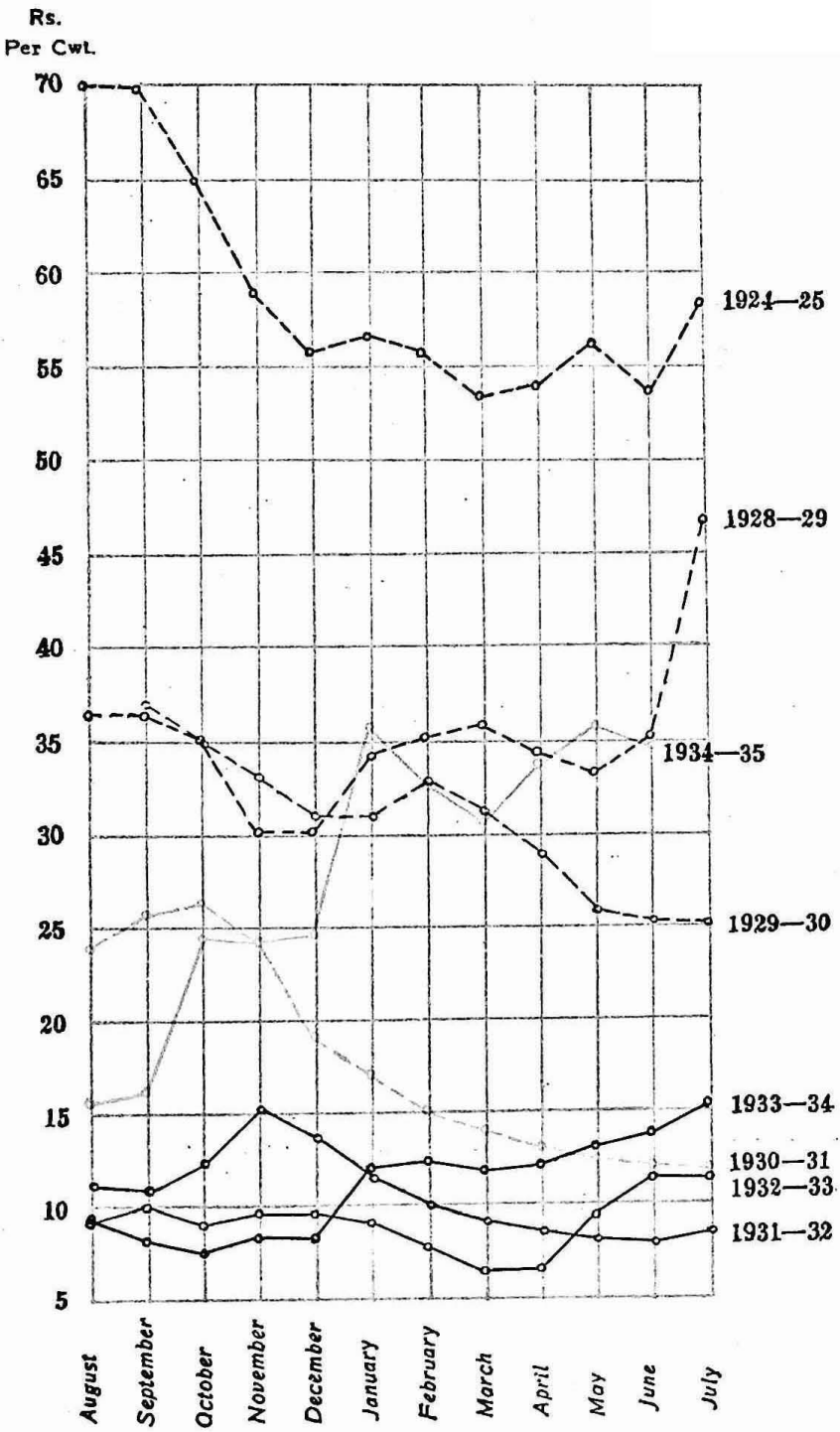
LITHO, THE ART PRINTING WORKS, TRIVANDRUM.

Diagram showing variations in the price of pepper.



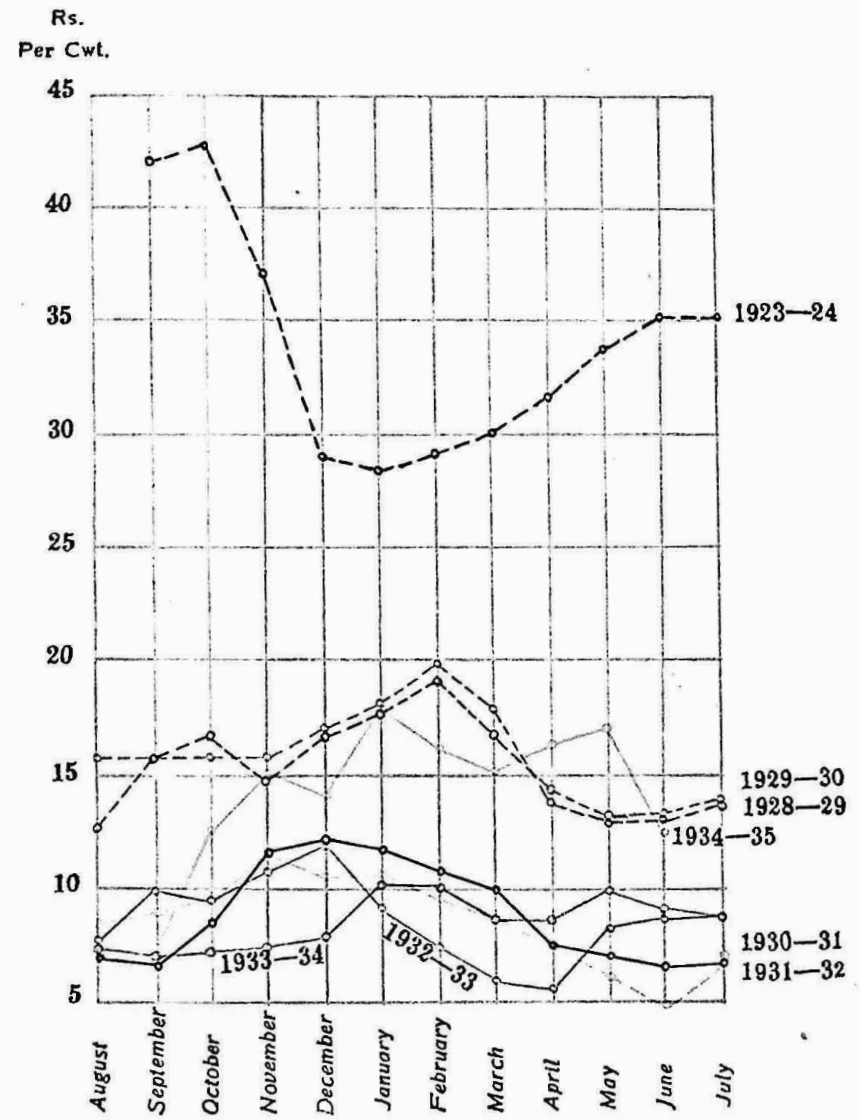
LITHO, THE ART PRINTING WORKS, TRIVANDRUM.

Diagram showing variations in the price of ginger.



LITHO. THE ART PRINTING WORKS, TRIVANDRUM.

Diagram showing variations in the price of turmeric.



LITHO, THE ART PRINTING WORKS, TRIVANDRUM.

19. The fall in the value of land.

The registration statistics of the amounts under sales, mortgages and hypothecations are summarised in the following table :—

The average value of transactions
(in Rs. lakhs.)

Period.	Sales per year.	Mortgage per year.	Hypothecation per year.
1093—1095 (1917—20) ...	193	144	218
1096—1100 (1920—25) ...	221	164	234
1101—1105 (1925—30) ...	303	153	298
1106—1109 (1930—34) ...	172	103	192

The table shows the averages of the amounts per year covered by deeds of each kind for four specified periods. We find that generally the amounts under hypothecations exceeded those under sales and mortgages. This points to the fact that in raising loans on the security of land, the land-holder would, as far as possible, try to retain its possession and enjoyment.

An abnormal increase is shown under sales in the period 1101-1105 (1925-30). This was the period in which two important Regulations came into force affecting the systems of inheritance obtaining among two important communities in the State.

The averages, under all transactions, for the period, 1106 to 1109 (1930-34), are very low.

In order to facilitate comparison of the annual variations of the amounts under each transaction, the corresponding index numbers are prepared and shown below.

Annual variations in the value of transactions.

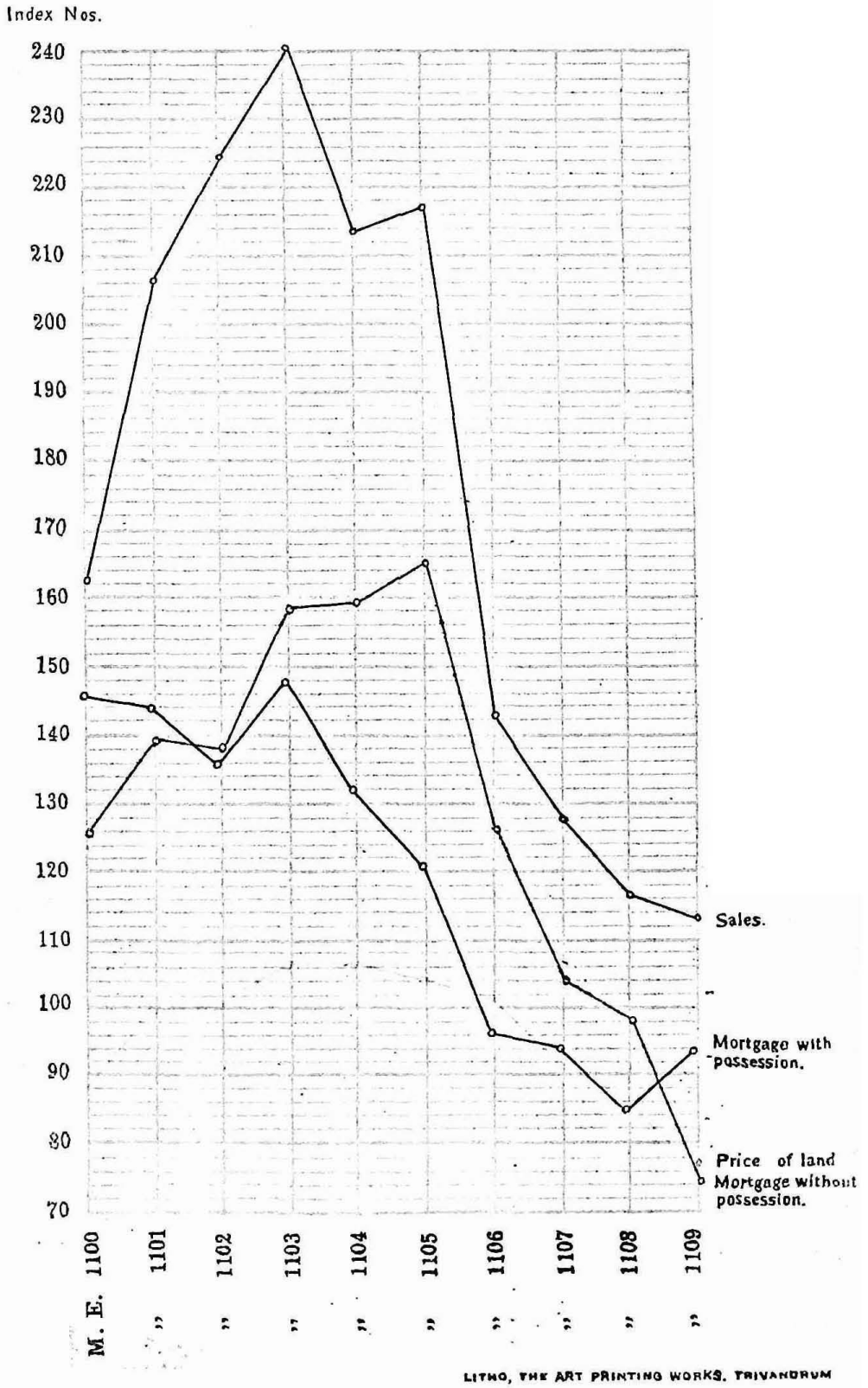
Year.	Sales.	Mort-gages.	Hypothe-cations.
1093 (1917-18) ...	100	100	100
1094 (1918-19) ...	141	128	107
1095 (1919-20) ...	196	159	126
1096 (1920-21)	144	157	128
1097 (1921-22) ...	153	176	102
1098 (1922-23) ...	198	130	118
1099 (1923-24) ...	149	127	122
1100 (1924-25) ...	162	146	126
1101 (1925-26) ...	206	144	139
1102 (1926-27) ...	224	136	138
1103 (1927-28) ...	241	148	158
1104 (1928-29) ...	213	132	159
1105 (1929-30) ...	217	121	165
1106 (1930-31) ..	141	97	126
1107 (1931-32) ...	127	94	104
1108 (1932-33) ...	116	85	98
1109 (1933-34) ...	113	94	74

The figures show fluctuations till the year 1100 (1924-25). From 1100 to 1105 (1924-30), the values of all transactions show a tendency to increase, while from 1105 (1929-30), there is a steady fall under all transactions.

These variations are shown in the adjoining diagrams, along with the corresponding variations in the value of land.

The figures for the value of land have also been obtained from the Administration Reports of the Registration Department. The table below gives the price, per acre, of wet land and garden land, for the years 1100 to 1109 (1924-34), together with the corresponding index numbers.

Diagram showing correlation between the values of land and transactions in land.



LITHO, THE ART PRINTING WORKS, TRIVANDRUM

Average value of land.

Year.	Average value per acre in Rs.		Index number.
	Wet.	Garden.	
1100 (1924-25) ...	566	369	89
1101 (1925-26) ...	673	401	100
1102 (1926-27) ...	733	386	101
1103 (1927-28) ...	733	413	107
1104 (1928-29) ...	777	406	107
1105 (1929-30) ...	779	391	105
1106 (1930-31) ...	653	403	102
1107 (1931-32) ...	533	394	93
1108 (1932-33) ...	518	366	87
1109 (1933-34) ...	405	347	77

The above figures show that the value of land rose steadily till 1104 (1928-29), but it began to decline from 1105 (1929-30) and has been steadily falling since. They further show that the value of wet land has fallen by about 50 per cent., that of garden land by about 16 per cent and that of land in general by about 30 per cent. Of these percentages, only that of wet land can be said to reflect the real fall in the value of land; for the value of wet land being dependent on the price of paddy, there is a more general uniformity in it, from place to place, than in the case of the value of garden lands. There are large variations in the price of dry land, the Registration figures for which comprise agricultural as well as non-agricultural land, such as house sites, shop sites, etc. The percentage of fall in the value of dry land *shown by the above figures* does not, therefore, reflect the real fall in the value of agricultural land. In our view, the fall in the value of wet land more truly reflects the fall in the prices of agricultural produce than that of dry land, as shown by the Registration statistics.

CHAPTER IV.

General Conclusions.

20. Definition of 'Agriculturist.

In the terms of reference to the Committee, Government have suggested for our consideration a definition of the term "Agriculturist." We have carefully examined that definition and also compared it with the definitions of the term in enactments obtaining elsewhere, notably in the Punjab Relief of Indebtedness Act, 1934, and have adopted a definition suitable to Travancore conditions. Our definition includes all who earn their livelihood mainly by agriculture, land-holders, tenants and agricultural workers of all kinds. We have not restricted the scope of the term by fixing a maximum income or maximum amount of debt to be relieved or a maximum land revenue or rent paid, although such restrictions exist in Mysore and some of the British Indian Provinces. In the prevailing agricultural distress and the peculiar conditions obtaining among certain classes of large scale agriculturists like the cultivators in Kuttanad and the rubber planters, we consider that it is not desirable to restrict relief to any particular section of the agricultural population.

Land-holding corporations are excluded, because they do not stand in need of relief in the sense in which the individual agriculturist is in need of it. Those who live on rent or carry on other subsidiary occupations are also included within the meaning of the term "Agriculturist," in so far as they earn their livelihood mainly by agriculture. The credit interests have expressed the apprehension that it would be easy for nearly everybody to claim to be an agriculturist. But the committee is of opinion that a judicial tribunal or a debt conciliation board will not find it difficult to decide whether a person earns his livelihood *mainly* by agriculture. On this point, the decision of a lower court should be appealable; but that of a debt conciliation board should be final, for conciliation purposes, for the reason that the board should be able to proceed with its work with expedition, without interference from the courts.

We, therefore, define the term "Agriculturist" as follows:–

For the purpose of the relief of agricultural indebtedness, an "Agriculturist" should mean a person

(i) who both earns his livelihood mainly by agriculture, and is either a land-owner, or tenant of agricultural land, or a servant of a land-owner or of a tenant of agricultural land, or

(ii) who earns his livelihood as a village menial paid in cash or kind for work connected with agriculture.

Explanation:–(i) An agriculturist should not lose his status merely because he does not cultivate his lands himself but lives on rent or follows some other calling in life ;

(ii) If there is a debt conciliation board to adjudicate, its decision regarding the status of a person that he is an agriculturist should, for all purposes of the debt conciliation board, be final ;

(iii) If at any time, the question arises before a court of law, it will decide the question for itself, but the decision of the lower court should be appealable ;

(iv) In the scope of the term 'Agriculturist', should not be included land-holding corporations like temples, churches, mosques, joint-stock companies, etc.

21. "Agricultural Debts".

The Committee is asked to frame a suitable definition of 'Agricultural Indebtedness'. We have, therefore, to indicate what classes of debts should be regarded as the 'Agricultural Debts' of agriculturists. According to some of our witnesses, only such debts as were incurred for purely agricultural purposes, such as expenses of cultivation, improvement of land, purchase of cattle, seed, manure, implements, etc., should be so regarded. They would make a clear distinction between agricultural debts and agriculturists' debts. There is a great deal to be said in favour of this view. But there are practical difficulties to be considered. In most transactions, it is all but impossible to determine the purpose of the debt. A great many debts are inherited which the present ryots have to meet from their agricultural income. The determination of the true nature of debt is, therefore, a very difficult problem.

Further, the main object of relief is to save the agriculturists from expropriation on inequitable terms and, that being so, it does not matter how the debt arose ; what matters is that there is the debt and a remedy for it must be found. A comprehensive definition is, therefore, considered necessary.

There are, however, certain debts in regard to which the agriculturist is more or less in the same position as a non-agriculturist. Such are the debts incurred for the purpose of trade. The trader as well as his trade debts have to be treated differently from the agriculturist and his debts. They are also expressly excluded from the scope of our enquiry by the terms of reference.

Loans issued by co-operative societies and co-operative banks have also to be treated as a class apart. In giving evidence before us, some of our witnesses engaged in the co-operative field insisted that whatever recommendations are made by the Committee, the co-operative societies should not be touched or affected. It was feared that interference with the co-operative societies in the direction of debt relief would be fatal to the movement itself. We have considered the matter anxiously and have also consulted Mr. M. Govinda Pillai, the present Registrar of Co-operative Societies, and Mr. R. Vaidyalingam Pillai, his predecessor. Both of them are of the decided view that the agriculturists who owe money to co-operative societies and banks should also be brought within any scheme of debt relief which may be recommended by the Committee. The Devadhar Committee, too, has made the same recommendation.

It is seen that at the close of 1109 (1933-34), the aggregate overdues to the co-operative institutions from their debtors amounted to over Rs. 39½ lakhs. The bulk of it must consist of small loans advanced to the poorer classes of agriculturists whose need for relief is more urgent than that of others. The Committee have, therefore, come to the conclusion that it will not be justifiable to exclude the co-operative societies completely from their purview. Nevertheless, we are fully conscious of the fact that it will not be wise to do anything which may affect the safety of

the movement. We have accordingly dealt with the matter separately and our general proposals do not relate to debts due to co-operative institutions (*Vide* paragraphs 15 and 44).

There are also debts due to Government which are excluded from the scope of the relief measures proposed below. They are governed by definite rules which are, none-the-less, elastic and are being administered with liberality and consideration for the special difficulties of the agriculturists. They are capable of being administered in whichever way the Government decides, according to circumstances, by mere executive order and are not hedged in by considerations which have to be borne in mind in the case of private creditors.

Rents, *michavaram* and other periodical dues arising from transactions of the nature of lease are either fixed from year to year or are fixed periodical payments, being, in essence, a share of the yield of the land, and are distinct from obligations arising out of loan transactions. For paddy land, the payment is usually made in kind and for garden land, in money. In either case, the amount is fixed with due regard to existing conditions. It is only equitable that the lessor or the *jenmi* should get his annual share of the yield of land, as ordinarily it has to be regarded as the source of his livelihood. On these considerations, the Committee decided that rents, *michavaram* and other periodical dues should not be included under agricultural debts.

In our view, all other debts have to be regarded as agricultural debts. The incidence of all debts falls on a person's income and, so long as the income is mainly agricultural, the burden affects the well-being of the agriculturist and impedes agriculture itself.

Our definition of the term 'Agricultural Debts' is, therefore, as follows :—

'Agricultural Debts' should include all liabilities of an agriculturist debtor, in cash or in kind, secured or unsecured, but should not include the following :—

(i) debts incurred for purposes of trade ;

(ii) debts due to Government ; or

(iii) debts due to co-operative societies or to co-operative banks registered under the Co-operative Regulation, except so far as specially provided for ;

(iv) rents due under lease transactions, including *michavaram* and other periodical dues payable to *jenmies*.

22. The need for Government intervention.

Agricultural indebtedness has always been existing. But, in normal economic conditions, borrowings and repayments go hand in hand and agriculturists, as a class, are not reduced to a condition of sheer inability to repay. It is this wide- spread inability of the agricultural population to meet liabilities contracted in the normal course of agricultural life, that has created the need for Government intervention. On account of the low value of land and the abnormal fall in the prices of agricultural produce, the credit of the agriculturist has sunk very low and he has no margin of income to enable him to pay off, in the usual manner, his debts or even the interest thereon. The creditors are equally in difficulties. They are not able to realize the loans they have advanced and, even after resorting to court and incurring additional expenditure thereby, they do not obtain full satisfaction of debts, on account of the abnormal fall in the value of the debtor's lands. The situation has, therefore, to be faced in the interests of both the debtors as well as the creditors, so as to create facilities for the former to meet their liabilities and to offer the latter a reasonable prospect of realizing as much of their dues as possible, without having to incur unnecessary expenditure or loss.

We have been impressed by the large volume of evidence tendered by debtors as well as creditors that the present situation is grave enough to call for and justify the intervention of Government. The State alone can deal with a problem so vast in its reach or provide measures of adequate relief. There is a wide-spread feeling fully shared also by the Committee, that, if the present conditions continue to exist, there will be a general dispossession of the agriculturists of their lands, a situation fraught with serious consequences to the State.

It is, therefore, the considered view of the Committee that, although agricultural indebtedness has always been existing, the

continued econmic depression of the last five years has considerably worsened the condition of the agriculturists and created a grave economic situation which can, as a whole, be dealt with only by Government and calls for Government intervention in order to adopt relief measures.

23. Extent of agricultural indebtedness.

The Committee has been directed to collect data, to investigate the extent of agricultural indebtedness and, if necessary, to make an intensive investigation of the indebtedness of the agriculturists in a few typical villages. In paragraph 6 of the Report, we have adverted to the circumstances which led the Committee to drop the idea of carrying out an intensive investigation of the indebtedness of the agriculturists in a few typical villages. As mentioned there, the Banking Enquiry Committee conducted exhaustive investigations, including an intensive survey of thirteen typical villages in the State and they have placed the total rural debt of the State at somewhere about Rs. 25 crores. In the course of the Census operations, Dr. Kunjan Pillai, the Census Commissioner, made an investigation into the economic conditions of the people of the State and collected data regarding the volume of indebtedness. He has estimated the total debt at Rs. 20 crores. These investigations took place before the economic depression became acute. Since then, further debts must have been contracted, and the bulk of the then existing debts as well as of the interest charges must have remained unpaid and so the total volume of debt at the present time must be considerably bigger.

We consider that the previous estimates may, for all practical purposes, be accepted for a working basis, in the consideration of a general scheme of debt relief. On page 136 of their Report, the Co-operative Enquiry Committee have made the following observation : —

"We are inclined to agree with the view that there is no more need of any elaborate enquiry into the extent of indebtedness of the population of the State, in as much as a survey of agricultural indebtedness of the whole State with the main objective of ascertaining the scope of rural indebtedness, was recently undertaken by the State at the time of the last Census.

It should not be forgotten that two such surveys were undertaken before, as adjuncts to the Travancore Banking Enquiry Commitee, in 1930. They have supplied sufficient data for the State, for taking up the question of remedial measures for the liquidation of agricultural indebtedness as postulated by the survey and we, therefore, hope Government would immediately take the necessary and proper steps in this direction." We are in accord with this observation.

The previous estimates of the extent of agricultural indebtedness which have placed the total debt between 20 and 25 crores are, therefore, accepted by the Committee for the purpose of these recommendations.

24. Nature of relief called for.

The rationale of debt relief, at the present moment, is that the continued economic depression is an unforeseen factor that has entered into the ordinary debtor-creditor relations. It has placed the debtor in a decidedly disadvantageous position. The abnormal fall in the prices of his agricultural produce has all but extinguished his ability to pay and the steep decline in the value of his land has led to the deterioration of his credit. As regards the creditor, the debts due to him have appreciated in value. He may not be able to obtain full satisfaction for them; but he is in an advantageous position not only because of the increased real value of the amounts due to him, but also because he can, if he cares, dispossess the debtor of his lands and other property, so long as the ordinary coercive measures available through the courts are allowed to take their course.

The evidence before us shows that since the beginning of 1105 (1929-30), repayments of debts or even interest payments have been rare. As year succeeded year, the burden of indebtedness has been mounting up. When the creditors found that neither the principal nor the interest was forthcoming they naturally proceeded to secure the debts on immovable property. It is stated that in many cases, the inability of the debtor to pay has given the opportunity to the creditor to gain a stronger hold on the entire assets of the debtor. Our enquiries generally go to show that wherever agricultural land is mortgaged, the burden of debt has

become so heavy that their present value would not suffice to liquidate the total debt secured on them.

Ordinarily, the agriculturist can pay his debts only from any margin left over from the value of his crops, after meeting the costs of cultivation, the tax due to Government and the bare maintenance of his family. At present, owing to the fall in the prices of commodities, this margin has been so reduced that he cannot pay his debts and continue to maintain the standard of living to which he has been accustomed.

The weight of debt, on such an extensive scale, exercises a very injurious effect on agriculture. It robs the ryot of all incentive in his work and leaves him without the means to improve his land or to better his standard of living. We consider that the solution of the problem is of vital concern to the contentment and happiness of the vast agricultural population and, consequently, to the prosperity of the country as a whole.

It is, therefore, the Committee's considered opinion that relief measures of a substantial nature are urgently called for.

28. Why the agriculturist requires relief in preference to others.

Besides the agriculturists, there are other sections of the population also who are in economic difficulties. The trading community, for example, has also been severely hit by the depression and, it may be asked, why the agriculturist alone should be marked out for any favoured treatment. We shall try to answer this. The agriculturists form the vast majority of the population and their contentment and prosperity are of paramount importance to the State. According to the Census of 1931, the population supported directly by agriculture is 54·3 per cent of the total population and, what is more significant still, 77·2 per cent of the value of the total production of the country is represented by that of agricultural produce, whereas all the other sources put together account only for 22·8 per cent of the value of the total annual production.

Further, in an agricultural country like Travancore, it is the agriculturist who provides employment and the main source of

wealth to the rest of the population and he is the principal contributor to the resources of the State. His contentment and prosperity as well as the improvement of his buying power and standard of living will redound to the prosperity of all the trades and professions. The agriculturist has, therefore, the predominant claim for relief. At the present time, he finds himself severely hit. The value of his produce has fallen much more heavily than that of the manufactured goods that he has to buy. The abnormal depreciation in land values has disrupted his credit. The real burden of his debts has increased very much in terms of his produce and, unless, in the midst of the present unforeseen and wide-spread calamity, he is offered substantial relief, he stands to lose his land which is the main stay of his life.

The main source of our wealth is the value derived from agricultural produce directly exported or exchanged for the products of other countries. To rehabilitate the agriculturists, is, therefore, to supply the channels of distribution and credit with the funds which they would otherwise lack. The way out of the present impasse, is, therefore, to encourage the agriculturist to keep on to his land, in the hope of better times, both for his own sake and for the sake of all other lines of business.

We are, therefore, of opinion that agriculture being the key industry and the basis of the wealth of the country and the agriculturist being very severely hit, his relief calls, on public grounds, for greater consideration at the hands of Government, than that of any other class of debtors.

26. When the depression began.

It is accepted on all hands that the world depression began in 1929. In the course of the year 1930, the attention of the Government was pressingly called to the serious fall in the prices of our agricultural products. The Banking Enquiry Committee which was appointed in 1929 and reported in 1930, has made frequent references, in the Report, to the fall in the prices of agricultural products, especially paddy and coconut. This was the most prominent subject of representation at the 27th Session of the Sri Mulam Popular Assembly in 1105 (1930). In consequence,

the Economic Depression Enquiry Committee was appointed early in 1931. A study of the trend of prices of our products also reveals the fact that the year 1105 (1929-30) marked a definite transition. The appropriate graphs are given in Chapter III of this Report.

We, therefore, consider that, the steep fall in prices having begun in 1105 (1929-30), the depression may be considered to have started from the beginning of that year.

CHAPTER V.

Relief Proposals.

27. The general lines of relief.

The situation is, as we have already explained, one of urgency and calls for measures of relief of a substantial character. In the consideration of such measures, we have carefully examined the various non-official schemes submitted to Government and the bill introduced in the Assembly. We have also acquainted ourselves with the literature relating to the measures adopted or under consideration in the British Indian Provinces and Indian States. In Chapter X of this Report, we have summarised the measures adopted or proposed for adoption in the various Provinces and States. (See also Chapter XVIII of the Report of the Co-operative Enquiry Committee). We shall, therefore, at this stage, merely indicate the general lines upon which such measures and proposals proceed. They are the following:—

(i) Controlling rates of interest on loans, sometimes with retrospective effect;

(ii) Prevention of expropriation of agriculturists during the present period of depression;

(iii) Establishment of Debt Conciliation Boards; and

(iv) Enactment of a simple rural insolvency law.

It will be seen that, with due regard to conditions in this country, our proposals are formulated on the first three lines of relief.

28. Direct financing by the State not practicable.

The liquidation of the ryots' debts by the State in cash or in bonds would, in the opinion of many of our witnesses, be the simplest and most efficacious method of debt relief. The creditors, for the most part, have expressed their willingness to forgo a substantial percentage of the debt amounts, in case the State would undertake payment of the balance in cash or in bonds. This method has been adopted particularly in Bhavanagar. But, as

the Mysore Agriculturists' Relief Committee has observed regarding conditions in that State, practical considerations and the huge amount involved preclude any attempt at its adoption in our State.

In the opinion of the Committee, no scheme is practicable in which the Government should finance debt relief directly, except to the extent and in the manner provided for in our recommendations relating to the Land Mortgage Bank. (*Vide* paragraph 52).

29. Classification of Debts.

In the terms of reference, the Committee is asked to examine the question whether a distinction should not be made between the debts incurred prior to 1105 and those incurred from 1105 onwards, in respect of the relief to be offered. In paragraph 26 above, it has been shown that the severity of the economic depression began to be felt from the beginning of 1105 and that this fact is substantiated by the statistics of the prices of our staple articles of produce. Accordingly debts are classified as those prior to and those from 1105 (1929-30).

It is obvious that, in terms of agricultural produce, the debts incurred prior to 1105 have very considerably appreciated in real value. For, while in a period of rising prices, the real rate of interest is low, in a period of falling prices, it rises fast and the burden of debt becomes increasingly heavy. It is the appreciation in the real value of loans and the increase in the real burden of accumulating interest that have from 1105, placed the debtor in a position of great disadvantage and the creditor in a position of corresponding advantage.

But, in the case of loans advanced from and since 1105, the position is different. The parties entered into transactions with their eyes open to the changed and changing conditions. During this period, the creditor, in advancing a loan, really parted with much more, in terms of produce, than before 1105. Although prices have been falling even after 1105, the fall has not been so steep as that which marked the transition in 1105, and so the debtors who borrowed during this period are not in so disadvantageous a position as those who borrowed before the sharp

fall of prices in 1105. We may, therefore, take the period from 1105 as a whole, and treat it on a different basis, for the purpose of debt relief.

The question, viewed from the standpoint of the ability of the debtor to pay, also lends itself to be treated separately for the periods before and after 1105. In the latter period, the burden of prior debts has increased side by side with increased need for borrowing to meet current expenses, owing to the diminished yield and the fall in value of the crops, working in a vicious circle. The value of agricultural land has fallen to half of its former value and landed property purchased, partly with borrowed money, is now found insufficient to liquidate the loan itself. Not to relieve such burdens may result in the expropriation of the present owners and the land passing into the hands of moneylenders. The debtors generally want both principal and interest to be scaled down, in the case of transactions prior to 1105, while they would be satisfied by a substantial reduction in the rate of interest in the case of later transactions. While any indiscriminate interference would alienate the feelings of the parties and render future transactions difficult, there is considerable ground for an equitable adjustment between debts contracted before the depression and after, and for regulating the normal profits of moneylenders during these periods well within the earning capacity of land at the time of the repayment of the loan. The Committee have, therefore, decided to differentiate the loans to agriculturists, according as they refer to the period anterior or subsequent to 1105 (1929-30).

For purposes of relief measures, debts may, therefore, be classified as :

(*a*) those prior to 1105, and

(*b*) those from 1105.

CHAPTER VI.

Relief Proposals —(*Contd.*)

Debt Conciliation Boards.

30. Conciliation as a method of debt relief.

One of the main planks of our proposals for relief is the creation of Debt Conciliation Boards for bringing about a composition of the debts. The underlying idea of debt conciliation is that the weight of accumulated debt is so heavy and the prevailing economic conditions are so unpropitious that the immediate payment, in cash, of the whole debt amount with interest accrued at rates stipulated in better times, is beyond the capacity of the debtor. The creditor and the debtor must, therefore, be induced to agree to bring the debt under terms of payment within the capacity of the debtor and to give to the creditor an assurance of realization within a fixed period, according to terms mutually agreed upon.

Since the depression began, debt conciliation schemes have been brought into being, by means of legislative enactments, in the Bhavanagar State, the Central Provinces and the Punjab. Proposals towards similar enactments are under consideration in Madras and Mysore. The Royal Commission on Agriculture has recommended that Conciliation Boards might be tried in the areas where debt is known to be beyond the capacity of the people to pay. The Indian Banking Enquiry Committee also has recommended that the problem of indebtedness should be tackled by conciliation between the debtors and the creditors with the object of securing a composition of the standing debts. The Committee has even expressed the opinion that in cases in which the lender will not agree to a voluntary settlement of the debt, it will be necessary to secure a compulsory settlement by means of legislative enactment. (*Vide* Report, paragraphs 91 to 94). The Travancore Co-operative Enquiry Committee, too, has pointed out the necessity for the initiation of a scheme of debt conciliation. (*Vide* Report, Chapter XVIII, paragraph 13).

31. The attitude of the public.

In the course of our investigations, we have tried to ascertain the attitude of the public towards the principle of debt conciliation and its applicability to conditions obtaining in Travancore. We are satisfied that there is a wide-spread feeling that some sort of conciliation is necessary. The indebted agriculturists are, of course, quite prepared to welcome conciliation of debts. Some of the leading bankers who gave evidence before us, have expressed themselves in favour of the scheme. Nor are the money-lenders opposed to the proposal, but they are emphatic that conciliation should be *voluntary* and should, as far as possible, offer the creditor a reasonable prospect of payment of the conciliated amount in cash. As we have already pointed out in another connection, the creditors are finding the recovery of debts increasingly difficult, not only because of the inevitable delays, worries and expenses of legal proceedings, but also because, in the majority of cases, there is only a remote chance of their obtaining full satisfaction of debts, by the sale of the debtors' properties. We may say that the creditors are generally disposed to agree to conciliation and even to forgo a considerable portion of the debt amount, provided they are assured of payment on reasonable terms, without having to undertake further trouble and expense.

Some of our witnesses have expressed the apprehension that the adoption of conciliation as a method of debt settlement may shake the future credit of the agriculturists as a class. But this apprehension is groundless, so long as conciliation is voluntary. We have also to remember that the whole point and purpose of conciliation is to guard against the very danger which they apprehend and to secure that the agriculturist is not driven to the point where his credit will necessarily break down. If this is not done, whatever assets he might possess and the credit based thereon will disappear in course of time. We are, therefore, unable to share their apprehension and are of opinion, that in the present peculiar conditions with so heavy a weight of debt to be shouldered, the agriculturist can be protected in the possession of his fields, only by some measure of conciliation.

All the witnesses who advocated the establishment of Debt Conciliation Boards were emphatic on one point, *viz.*, that the success of these boards will depend entirely on the choice of the right personnel to work them. We fully agree with this view and would even say that rather than have boards with unsatisfactory personnel, it were better to have no boards at all.

32. Conciliation to be voluntary.

In our view, conciliation need only be voluntary. However, we have had a large number of witnesses who hold that, if only to circumvent the obduracy of recalcitrant creditors, some element of compulsion should be brought into the scheme. We are not prepared to go to that length, but would only suggest that every inducement should be offered to the creditor and the debtor to come to an amicable settlement and if, after an earnest attempt at conciliation, the debtor has, in the opinion of the Board, made a reasonable offer which the creditor rejects, the court may be empowered to penalise the latter in costs and future interest.

33. Conciliation and repayment.

We consider that any scheme of debt conciliation to be successful should go hand in hand with some effective means of payment of the conciliated debt. In regard to this aspect of the matter, the Central Banking Enquiry Committee have observed as follows:—

"Any scheme of debt conciliation could not succeed until adequate organisation for carrying out debt clearance has been built up, and unless some agency like the Government or the co-operative credit societies or land mortgage banks where they exist, is forthcoming to make cash advances to the debtors, in order to enable them to pay the compounded debt, at least in part, to the creditor." (*Vide* Report, paragraph 90).

It is from this point of view that we have considered it necessary to recommend, the expansion and reconstitution of the Land Mortgage Bank, as an essential complement and counterpart of debt conciliation. (*Vide* paragraph 52)

34. **The Committee's scheme of debt conciliation.**

We have carefully studied the Central Provinces Debt Conciliation Act of 1933 and the Punjab Relief of Indebtedness Act of 1934 as well as the proposals made by the Mysore Agriculturists' Relief Committee and the Bills introduced into the Madras Legislative Council and the Sri Mulam Assembly of our own country. The scheme of debt conciliation that we recommend below is based on the study of the above enactments and proposals, with due regard to the conditions existing in Travancore.

We, therefore, recommend that, in the case of all debts, secured as well as unsecured, relief should be made available by conciliation through Debt Conciliation Boards to be established by Government for that purpose, on the lines recommended below:—

(i) *Jurisdiction of the boards.* Ordinarily there should be one board for each taluk. But there should be no objection, if circumstances require it, to one board being given jurisdiction over more taluks than one or to have more than one board for the same taluk. The board may be authorised to hold its sittings at convenient centres within its jurisdiction.

(ii) *Composition of the board.* Every board should consist of a chairman and two members, one of the three being, if possible, a Government officer. The members of the board should be nominated by Government. For ensuring the success of the scheme, it is essential that only men of high character and standing who possess local knowledge and influence and in whom the public have confidence should be nominated to the boards. (See also paragraph 31).

(iii) *Functions of the board.* The board should be an adjudicating body and should settle the debts of the debtor, the amount of money to be paid by the debtor in discharge thereof and the manner of paying it. The board should make this settlement, *i. e.*, 'conciliation' as between the debtor on the one hand and the creditor on the other, and if there are more creditors than one, the board should adjust their claims also *inter se*. In doing these, the board should take into consideration the following, *inter alia*, namely, the equities of the debt transactions concerned, the amount of the debt, the amount of interest that has

been paid, particularly after 1105 (1929-30), the amount of interest that has been allowed to accumulate, the duration of the transactions, the character of the debt, as *e. g.*, whether secured or unsecured, the ability of the debtor to pay, the availability of assets from which to pay, the need, occupation and other economic conditions of the creditor and the necessity for leaving, as far as possible, a margin for the debtor's subsistence.

(iv) *The lines of conciliation.* The conciliation that the board should try to effect between the parties may be on such lines as the following, for example :—

(*a*) A portion, say 25 per cent, of the assets of the debtor should be left to him clear of all debts and the balance left to the creditor or creditors to be taken up by themselves either in property or in cash from the sale proceeds thereof, the manner of division etc., as among creditors, being also settled by the board, if there are more creditors than one ;

(*b*) The debtor may be allowed to pay. either the entire debt or a reduced amount, in instalments spread over a number of years to be fixed by the board, the debtor giving security for the payment of instalments, the rate of interest also being fixed by the board. Provision should also be made by the board as to what should be done, when any instalment is defaulted. For instance, the board may provide that if any instalment is defaulted, such instalment and its interest alone may be recovered or, that if three consecutive instalments are defaulted, the creditor will be entitled to realize the whole amount due.

(*c*) The debtor should pay the creditor or creditors in cash a lump sum in full settlement, the amount of such sum being fixed by the board having regard to the circumstances enumerated in (iii) above and to the amount which the debtor may raise by mortgaging his entire properties to the Land Mortgage Bank or to some such other recognised institution. The board may also fix the period within which this cash payment should be made.

(v) *Re-opening past transactions.* If the board is satisfied that there are reasonable grounds to suspect inequity in any transaction, such as fraud, misrepresentation, undue influence,

coercion, mistake of facts, etc., the board may go into the history of the transaction also and may, in view of such history, reduce or even disallow interest or even scale down the principal.

(vi) *Agreement before the board.* If the parties appearing before the board agree to the conciliation proposed by the board, the agreement should be reduced to writing and signed by the parties and, according as the board directs, be registered according to the law of registration or filed in the Munsiff's Court having jurisdiction over the area in which the debtor ordinarily resides. In either case, the agreemennt should have the force of a decree passed by such court and should be liable to be put into execution, as if it were such a decree.

(vii) *Decision and certificate of the board where parties do not agree.* Even if the parties do not agree, the board may draw up a decision or certificate describing briefly, but clearly, the attempts made to bring the parties to agreement and the various methods suggested to them, the attitude of each of the parties in respect of them, stating also what, in the opinion of the board, would be the most satisfactory manner of settling the debt and what amount, in the opinion of the board, would be a fair amount for the creditor to accept and the debtor to offer, if the debtor is prepared to pay forthwith in cash, in full settlement of the debt. The board may record a like decision or certificate even as regards parties who have not taken part in the inquiry before the board, if the board is satisfied that it can come to a reasonable conclusion as to what would be a fair conciliation in the case of such parties also. The board may send such decision or certificate to the Munsiff's Court having jurisdiction over the place where the debtor ordinarily resides for being filed there. Upon such a decision or certificate being filed or a copy of it being produced, it shall be open to the creditor to apply to the court to call upon the debtor to deposit the amount certified by the board as fair cash payment, if the debtor has not already paid the amount to the creditor, and the court shall order the deposit fixing a time for it and may also grant such further extension of time as it deems fit to the debtor to deposit the amount in full.

(viii) *When the court should not allow costs and interest.* If, in respect of any debt, covered by the decision or certificate of the board, the creditor files a suit, without applying to the court for the deposit of the amount settled by the board as fair cash payment or without waiting for such time as has been allowed by the court for the deposit of the amount, he (the creditor) should not be entitled to any costs or to any interest till the date of the decree that may be passed, provided that the debtor deposits in court (for payment to the creditor), on or before the date of the first hearing of the suit, the full amount fixed by the board as a fair amount for cash payment and the interest thereon at 6 per cent, from the date of the board's decision.

(ix) *Where the court may take into consideration the decision of the board and the conduct of the parties.* If any suit is filed in respect of a debt which is covered by the decision or certificate of a board and if it is a suit to which the aforesaid provision (in viii above) does not apply, the court may, in awarding costs and determining the rates of future interest (i. e., from date of suit), take into consideration the decision of the board and the conduct of the parties in connection therewith.

(x) *Brief note on the functions of the Debt Conciliation Board.* Conciliation is voluntary. The board will, by moral influence and persuasion, endeavour to induce the debtor and creditor to agree to an amicable settlement of the debt. Competing claims will also be amicably adjusted. The board will take into consideration the equities of the transactions concerned, the ability of the debtor to pay, the need and other economic conditions of the creditor and the necessity to leave, as far as possible, a margin for the debtor's subsistence. Three lines of conciliation are proposed for the parties to agree to:- (1) the surrender of 75 per cent of the debtor's properties in full discharge, leaving the balance to the debtor free of all debts, or (2) payment of the debts in instalments on the debtor giving adequate security for due payment, or (3) payment forthwith in cash of a lump sum, the debtor raising the necessary sum by mortgaging all his properties to the Land Mortgage Bank or some such institution.

The said lump sum that is to be paid in cash would, generally speaking, be the amount which the debtor can raise by mortgaging all his properties to the Land Mortgage Bank or some such institution and would very likely be much smaller than the total amount of the debt. For this purpose, the Land Mortgage Bank should be linked with the Debt Conciliation Board and a representative of the Bank should work hand in hand with the board, in arriving at the value of the assets of the debtor. The object of this is to enable the board to ascertain what exact amount can be obtained from the Land Mortgage Bank for discharging the debt. Provision should also be made enabling the Bank to advance the conciliated amount either in cash or in debenture bonds.

If the parties agree to the conciliation proposed, the agreement shall be enforceable through the civil court, as if it were a decree of court.

If there is no agreement between the parties, the board can record a decision as to what it considers to be the fairest manner of settling the debt and what it considers to be the fair amount for the debtor to offer and the creditor to accept, if the debtor pays forthwith in cash. The court will take such decision into consideration in deciding who should pay costs of a suit or what order should be passed as to future interest, in case a suit happens to be filed for the full amount of any debt dealt with in the decision of the board.

(xi) *The procedure of the board.* The board's procedure should be on the lines laid down in the Punjab Relief of Indebtedness Act of 1934.

(xii) *Application for settlement between a debtor and his creditors.* A debtor or any of his creditors may apply to the board appointed for the area in which a debtor resides to effect a settlement between the debtor and his creditors.

(xiii) *Particulars to be stated in application.* Every application presented by a debtor to a board should contain the following particulars, *viz.*

(*a*) the place where he resides ;

(*b*) the particulars of all claims against him, together with the names and residences of his creditors ;

(*c*) the particulars of all his property, together with a specification of the value of such property and the place or places at which any such property is to be found ;

(*d*) a statement that he is unable to pay his debts or that he wants an amicable settlement of his debts with his creditors.

Every application presented by a creditor should contain the following particulars, *viz.*,

(*a*) the place where the debtor resides ;

(*b*) the amount and particulars of his claim against such debtor ;

(*c*) a list of the properties of the debtor to the extent known to him ;

(*d*) a list of the other creditors of the debtor so far as known to him ;

(*e*) a statement that the debtor is unable to pay his debts or that he, the creditor, wants an amicable settlement of the debts due to him.

The applicant, whether debtor or creditor, should submit also copies of the application for being issued to those to whom notices are to be issued.

(xiv) *Notice calling upon creditors to submit statements of debts.* If, in compliance with the notice issued by the board, a creditor does not furnish a statement of the debt due to him, his debt should be deemed to have been discharged ;

Provided that if a creditor proves to the satisfaction of the board or the court that the notice was not served on him and that he had no knowledge of its publication, the board or court may revive the debt.

(xv) *Bar of civil suits.* No civil court should entertain any suit :

(*a*) to question the validity of any procedure by or the legality of any agreement made before a board, or

(*b*) to recover any amount recorded as due under an agreement made, before a debt conciliation board, or

(*c*) to recover any debt which has been deemed to have been duly discharged as hereinbefore provided.

(xvi) *Bar of appeal or revision.* No appeal or application for revision should lie against any order passed by a board.

(xvii) *Appearance of party before board by agent or by legal practitioner.* In any proceedings before a board, any party may be represented by an agent authorised in writing or by a legal practitioner.

(xviii) *Suits and decrees and conciliation boards.* (*a*) When an application has been made to a board, no civil court should, except for special reasons to be recorded by it, entertain any suit or other proceeding brought for the recovery of any debt for the settlement of which application has been made to the board, and any suit or other proceedings pending before a civil court in respect of any such debt may be suspended until the board has dismissed the application or an agreement has been made.

(*b*) In the case of a suit for money pending trial or a decree for money pending execution in any court, the court may, on the application of either the debtor or the creditor, send the suit or decree to the conciliation board, if the court deems fit to do so, the trial or the execution as the case may be being stayed in the meantime, and if the parties come to an agreement before the board, the court should give effect to such agreement in the disposal of the suit or the execution of the decree.

(*c*) If suits pending trial or decrees pending execution in any court are sent to the debt conciliation board for consideration, and the board issues a decision or certificate, which either of the parties does not agree to, the court should take into consideration the board's decision or certificate and the conduct of the parties in connection therewith in deciding who shall pay costs and whether future interest should be allowed and if so, at what rate.

(xix) *Extension of limitation.* The time spent in proceedings before a conciliation board and the time during which a person is debarred from suing or executing his decree, as hereinbefore provided, should be excluded when caclulating the period of limitation, for any application, suit or appeal.

(xx) *The nature of the proceedings of the board.* The proceedings of the board should be rapid and as free as possible from the intricacies and technicalities of ordinary civil court proceedings.

CHAPTER VII.

Relief Proposals—(*Contd.*)

Special Debt Conciliation Boards.

35. Special boards.

Apart from the general debt conciliation boards which we have recommended in the previous chapter, there may be special interests or special areas with debt problems of their own, for which special boards will have to be created. Government may even consider the possibility and advisability of nominating a trusted single officer, for debt conciliation purpose, in certain localities where such a course would be desirable.

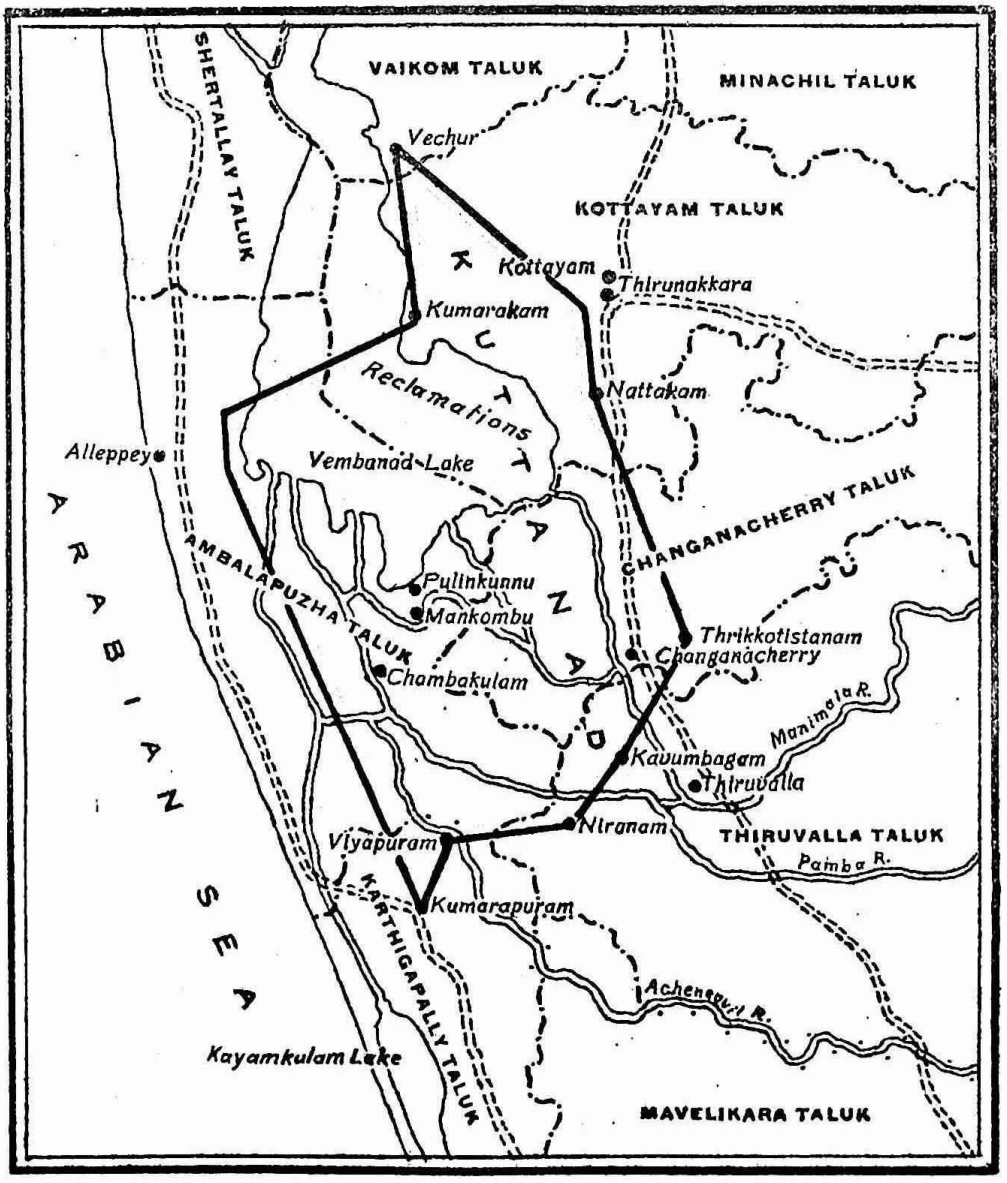
36. Special boards for Kuttanad agriculturists and rubber planters.

We find that, in regard to the Kuttanad agriculturists and the rubber planters, the problem of indebtedness presents certain peculiar features which will have to be kept in view, in any scheme of effective debt relief. We beleve that the detailed enquiry and special consideration which these two classes of indebted agriculturists call for will be possible only for conciliation boards specially constituted to deal with such special interests. We, therefore, recommend that special debt conciliation boards should be constituted for the settlement of their debts. Our recommendations in this regard are as follows :—

(i) For the Kuttanad agriculturists, a Special Debt Conciliation Board should be constituted with an official of the status of a Division Peishkar as President and two non-official gentlemen as members.

(ii) For the conciliation of the debts incurred by the rubber planters from the coastal firms, there should be a Special Debt Conciliation Board with an official of the status of a Division Peishkar as President and two non-official gentlemen of status and experience as members, nominated by Government, in consultation with the interests concerned.

MAP OF KUTTANAD



LITHO, THE ART PRINTING WORKS, TRIVANDRUM.

Having made the above recommendations, we feel it necessary to record, as briefly as possible, the main facts that we have gathered in the course of our investigations into the present conditions of these two classes of debtors.

37. The Kuttanad Agriculturists.

The main facts relating to agriculture and credit facilities in Kuttanad have, in recent times, been brought out, in considerable detail by the Reports of the Banking Enquiry Committee and the Economic Depression Enquiry Committee (Ref. Report of the Banking Enquiry Committee, paragraphs 10, 32, 46, 79, and 81, and Report of the Economic Depression Enquiry Committee, paragraphs 64 to 74).

One of the two prominent paddy producing tracts of Travancore, Kuttanad is, in physical aspects as well as in the conditions that govern the agricultural life of the people, markedly distinct from the rest of the country.

Kuttanad is a low-lying, water-logged region comprising, for the most part, portions of Kottayam, Changanacherry and Ambalapuzha taluks. The area of the Kuttanad paddy lands is roughly 2,00,000 acres. Of this, the regularly cultivated area would be about 80,000 acres of *Karapadams* and 50,000 acres of *Kayal* lands. The former are cultivated annually and the latter, once in two years.

The cultivation of these fields which for the better part of the year, are under two to six feet of water, is a very expensive process, involving the expenditure of immense amounts of money and paddy. It has been estimated that the total annual requirements of Kuttanad cultvation would amount in paddy and in money, from Rs. 10 to 15 lakhs.

The captial required for these expenses is, for the most part, advanced by local moneylenders. We learn that a considerable portion of the financing is exclusively in the hands of a few Brahmin families of the village of Monkompu. Joint-stock banks play very little part in financing the Kuttanad agriculturists, as they advance loans only for very short periods and enforce

punctual repayment of loans. The moneylender is, on the other hand, satisfied, as long as the debtor is solvent, with part payments of interest and principal or with renewals of debts with the addition of the interest accrued. The agricultural loans and special loans from Government have, during these years of strain, been avilable to the Kuttanad agriculturists in an especial measure, but not many have been able to avail themselves of them. We are told that these loans cannot meet the needs of current cultivation, as they would not always be available speedily or before the time when funds are usually required for the commencement of agricultural operations.

Loans are also raised from the moneylenders for purposes other than the needs of current cultivation. Such loans are usually advanced on pro-notes or the hypothecation of land.

Loans meant for the expenses of cultivation are advanced on simple debt-bonds, pronotes and signed accounts. The rate of interest for money is ordinarily 9 to 12 per cent. and for paddy, 10 to 15 per cent. The rates vary according to the solvency of the parties concerned, the nature of the security offered and the duration of the transactions. In renewing long-standing debts, adding up arrears of interest, and in securing a debt by a mortgage deed, the rate of interest is very often lowered.

The understanding is that the loans are meant to assist the crop and to be returned at harvest time. A good portion of the paddy debts are, as a matter of fact, paid as soon as the corn is ready on the thereshing floor. But, as regards money debts, there is no such regularity of payments. If the crops are good and re-payments punctual, the system should work smoothly. As a matter of fact, owing either to the failure of crops or their inadequacy to meet the various needs of the agriculturists, arrears of debts, both paddy and money, accumlate year after year. The Banking Enquiry Committee has observed. 'It usually happens that a large portion of the loans raised stands unpaid at the end of the stipulated period of six months or one year. It is even said that debts in these operations remain unpaid from generation to generation.' (*Vide* Report, paragraph 79).

The system of cultivation based on borrowed capital began many years ago. In earlier times, loans were advanced only in paddy. From 1075 (1899-1900), oil engines began to be used for pumping out the water from the fields, and loans in money became unavoidable. About the year 1090, (1914-15), the price of paddy was steadily rising and the Kuttanad agriculturists began the reclamation of *Kayal* lands, involving the expenditure of large capital, nearly the whole of which was borrowed. At the same time, in order to create living space for the growing population and for planting the coconut palm, the produce of which was fetching very good prices, lands were, at great expenditure of borrowed money, raised from under water, mostly along the sides of rivers and canals.

As long as paddy and coconut fetched good prices and the credit of the agriculturists stood high, they borrowed and the money lenders advanced—freely.

Up to 1104 (1928-29), borrowings and repayments went on apace and the creditors were not, as a rule, anxious to secure the debts by a charge on immovable property. But as the depression deepened and repayments became scarce, they demanded property security and, in very many cases, the creditors have obtained the security of the entire properties of the debtors. According to all estimates, nearly the whole of the agricultural lands in Kuttanad, both paddy lands and coconut gardens, are now heavily mortgaged. From the evidence given by the leading moneylenders as well as the agriculturists, it is seen that those who are free from debt will be only below 10 per cent, and even in their case, freedom from debt may be as much due to absence of credit as to sufficiency of income.

The value of agricultural land in Kuttanad has gone down by about 50 per cent. According to the admission of the creditors themselves, the value of properties having fallen to that extent, in most cases, debts cannot be liquidated by property.

Summing up the results of their enquiries in regard to the Kayal cultivators in Kuttanad, in 1931, the Economic Depression Enquiry Committee said: "If circumstances continue like

the present, the cultivators who worked so hard at the reclamation of these lands may have to part not only with their Kayal holdings newly brought under cultivation but also with their other holdings, so as to satisfy their creditors." (*Vide* Report, paragraph 73). In our opinion, the eventuality apprehended by that Committee has already arrived.

So far, we are on undisputed ground ; for the above facts are admitted, to all intents and purposes, by the debtors as well as the creditors. That the present situation is fraught with exceptional difficulties and require exceptional remedies is recognised by both parties. Our colleague Mr. Ananthasiva Iyer, himself a land-holder, agriculturist and moneylender of considerable standing, took so serious a view of the condition of the agriculturists in Kuttanad that he drew up a scheme of debt redemption in 1934 and submitted it to Government for their consideration. There is, therefore, no serious difference of opinion with regard to the main facts and needs of the situation. But there is considerable conflict in the attitude of debtors and creditors towards the scope and possible lines of relief.

38. The point of view of the indebted Kuttanad agriculturists.

We have received considerable evidence from the Kuttanad agriculturists at Alleppey and at Kainady. At the latter place, a memorandum bearing over 3,000 signatures was presented to us by the Kuttanad Agricultural Association, an organization which has been recently revived to safeguard the interests of the agriculturists of the tract. We have also been supplied with copies of the resolutions passed by public meetings held in several places in Kuttanad as well as with a copy of a memorandum which the above Association has submitted to Government. We have carefully perused all of them. Briefly, the following are the points they urge :—

(*a*) Ninety-five per cent of the Kuttanad agriculturists are heavily involved in debt. Their lands are all heavily mortgaged. The value of their lands having fallen by more than 50 per cent, debts cannot be liquidated by property. They stand in danger of losing their lands altogether.

(*b*) The rates of interest prevailing in Kuttanad, 12 per cent for money and 10 to 20 per cent for paddy, are too high and bear no relation to the yield from their lands. On a paddy loan, interest is charged for full twelve months, even though the debt might outstand only for a few months or even weeks. Lower rates are sometimes allowed when debts are renewed or secured by *Otti* deeds.

(*c*) They have to borrow money and paddy. A portion of a paddy loan is sometimes given in money and of a money loan, in paddy. This conversion of loans into money or paddy depends upon the trend of the price of paddy. Very often they have to sell borrowed paddy at considerable loss, to raise cash for their money requirements.

(*d*) About 5 per cent of a paddy loan has to be taken in mouldy grain. Even this bears interest and has to be paid back in good paddy.

(e) Some creditors use *para* measures of different cubic contents for giving out and receiving back paddy and the grain is so measured as to give less and to take more for every measure, so that ordinarily they get only 10 per cent less and have to pay back 10 per cent more than the real amount.

(*f*) The creditors also impose excessive conveyance charges.

In view of the above circumstances, they stand in need of substantial relief. Briefly, they suggest that for all debts which were incurred prior to 1105, interest should be calculated at the rate of 4 per cent for paddy and 3 per cent for money. This interest should be added to the outstanding principal and from the amounts so obtained, 50 per cent should be deducted in the case of money debts and 75 per cent in that of paddy debts. The amounts already paid should be deducted from the total debts as calculated above and the balance should be payable in 25 equal annual instalments, at the same rates of interest.

In the case of debts incurred from 1105, interest should be calculated at the above rates and the amount already paid should

be credited to the debtors and the balance should be payable in 25 equal annual instalments, at the same rate of interest.

The yield and value of coconut gardens have gone down roughly to 30 per cent and those of paddy lands to 25 per cent. On this basis, they maintain that the creditors really stand to lose heavily, if they insist on selling the debtors' lands in satisfaction of debts. It will be more advantageous to them to agree to a scaling down of their claims by 50 per cent and to accept payment in instalments.

39. The Kuttanad creditors' point of view.

Some of the leading Kuttanad moneylenders have given evidence before us at length. They have also presented to us valuable memoranda relating to the debtor-creditor position in Kuttanad. The creditors deny that they are professional moneylenders. They claim to be agriculturists who by force of circumstances have come to advance money and paddy to other agriculturists very often to ensure that their own fields which form big blocks with those of the others are cultivated in season.

Their rates are very reasonable and comparatively lower than the rates elsewhere in Travancore. They ordinarily charge 4 to 12 per cent for money and 5 to 15 per cent for paddy. Lower rates are charged on the basis of the credit of the debtor and the duration of the loan. When loans are renewed, rates are usually lowered. The alleged malpractices with regard to measurement and other payments do not exist among them. The long-standing amicable relationship between creditors and debtors as well as the high level of enlightenment of the debtors show that the charges are unfounded. The conveyance charges are really lower than the actual charges which would have to be met by the debtor, were he to convey the grain to the creditor's granary according to contract.

The debtor takes the contracted amount of paddy only in such quantities as suit his requirements. As a rule, money is not given in lieu of paddy, except when the debtor wants a portion to be sold, on his behalf. Then the actual value realized is handed over to the debtor. Nor is a money loan converted into paddy.

Loans are usually advanced on pro-notes, simple debt-bonds and signed accounts. Property security is taken only when debts accumulate, and the mortgaged lands continue to be cultivated by he debtors themselves.

With regard to the question of relief, they consider that the transactions have been so fair that they do not admit of any reduction of debt amounts. Many creditors will be prepared for a settlement of debts on payment of cash or on furnishing security. Instalment system may be allowed, if the debts are charged on immovable property and realized as in the case of the Land Mortgage Bank.

They are opposed to stopping the present practice of arrest and detention of debtors. Even in the case of debts charged on property, the provision should remain. But it may be provided that decree holders should proceed against the charged properties in the first instance. The balance should be realized from the other properties or ultimately by arresting the person of the debtor. If adequate security is offered the debtor may be exempted from arrest. They are against any lowering of the rates of interest by legislation. Nor would they make any distinction between debts incurred prior to and from 1105.

They are agreeable to accepting bonds issued under Government guarantee, on the security of the debtors' properties. In that case, they will be satisfied with 4 to 5 per cent and wait for the debt to be paid off in 25 to 30 years. If the Government do not find this possible, the creditors should be allowed to proceed against the entire assets of the debtor, leaving a small portion for his dwelling and all the creditors should be satisfied with a ratable share and all liabilities should thereby be extinguished. The debtor may, however, be allowed to redeem his properties, within a limited period, by payment of the full amount of debts to his creditors.

40. The need for amicable settlement.

We have stated above the general features of the situation in Kuttanad as well as the respective points of view of the debtors and creditors. It may not be fair to generalise from

stray practices of exacting creditors and from the tale of woe told by desperate debtors. The readiness to give and take and a general desire to reach a speedy settlement are there, although feelings have been embittered to some extent by the extravagant hopes raised by the Bhavanagar example and the interested propaganda of rival propagandists on either side. The facts being admitted that, as matters stand at present, the cultivation in Kuttand requires the help of moneylenders available in the locality and that the existing cultivators are already heavily indebted to them, relief should be directed towards the immediate settlement of outstanding liabilities and adequate provision of financial help for the future. In the absence of other financial agencies, the present source of credit should not be allowed to dry up. This can be done only by an amicable settlement of all outstanding liabilities and a sense of security being generated as regards the permanence of future engagements. The debtors also require the assurance of some external aid in the event of the failure of their present credit resources and the sense of relief from present encumbrances through the provisions of a convenient settlement. A sense of insecurity on the one hand and despair on the other seems to be abroad and this militates against a responsible assurance of tranquility and undisturbed pursuit of every day avocations. We do not propose to enter into the merits of the controversy nor do we think that such adjudication by us is necessary. For our purpose, it is enough to record that the situation is fraught with immense consequences, and, at the same time, difficult of solution on general lines. We feel that a Special Debt Conciliation Board will be able to go into the special circumstances outlined above and bring about an equitable settlement of debts so as to bring them within the capacity of the debtors to pay and assuage the disturbed feelings of debtors and creditors within the area.

41. The point of view of the indebted planters.

In paragraph 102 of the Report of the Banking Enquiry Committee, reference is made to the absolute dependence of the Travancore planters on the coastal firms, for the marketing of their produce. This dependence arose with the estate owners taking advances from the coastal firms, at a time when the prices

of rubber and tea were good. The loans were advanced on the hypothecation of the anticipated crops of the estates. Up to the year 1928, the firms used to advance loans without hesitation. It is even said that, as it was a paying business, the firms wer anxious to secure the custom of the planters. If the prices had continued to be good, liabilities would have been cleared every year; and, as a matter of fact, this was the case, until the heavy slump in prices affected the planting industry. The planters were generally careful to keep up engagements. However, up to 1928 even if the exact amount of produce stipulated was not delivered, the firms would not take any steps against them. The strain began to be felt from 1929. In 1928, rubber was selling at Re. 1-2-0. In 1929, the price fell to Re. 1 and then to 9 as. In 1930, the price was only 6 as. Subsequently, the price fell to 3 as. and the rubber industry became unprofitable.

Generally speaking, there was no tapping from 1930 to the 1st June 1934, the date on which the rubber restriction scheme came into force. During this period even the bare maintenance of the estates and payment of tax could be carried out only with the utmost difficulty.

From 1930, no advances were made by the coastal firms; but the planters were not able to liquidate the loans that were then outstanding and interest accumulated. The firms add up interest every six months or, in some cases, every twelve months. Though this is not stipulated in the agreement, they would so add up the interest and send the accounts to be acknowledged by the parties concerned.

To the coastal firms, the system of crop advances was a paying business. To the planters the system offered financial assistance for tapping, transport, delivery and sale of the produce. The latter have no direct contact with the London rubber market and, therefore, have, in any case, to sell the produce only through the coastal firms. There is usually no agreement as to the price at which the produce should be sold. The matter is ordinarily left to the discretion of the firms. But, if desired. they would consult the producer.

The rate of interest the firms charge is 8 per cent, on the average. They take a commission of 2½ per cent. on the sale proceeds. Some firms take only 2 per cent. There are also other advantages which the firms derive from these transactions. For instance, as they are the agents of the shipping companies, they get a rebate of 10 per cent on freight. They are also insurance agents and get a commission on the insurance of the goods. On the other hand, all the expenses incidental to marketing the produce have to be borne by the estates themselves. These include transport, godown accommodation, freight, insurance, stationery etc.

The total debts which the planters now owe to the coastal firms will amount to nearly Rs. 15 lakhs of which about Rs. 8 to 10 lakhs are owed by the Indian planters. The latter have also transactions with the local merchants and bankers. But they are not the bigger items and will not, it is stated, amount to more than Rs. 4 lakhs.

From the commencement of the restriction scheme, the planters have resumed the usual delivery of produce to the firms towards the accounts standing in their names. But owing to the low price of the produce and to the fact that they are not able to sell even one-half of the total crop, the sale proceeds, after meeting all the marketing charges of the coastal firms, do not suffice to liquidate even the accumulated interest of the outstanding debts. The most serious aspect of the situation is that the continuance of the present conditions leaves no reasonable prospect of the planters being ever able to lift from their estates the incubus of prior debt accumulating at compound interest. During a period of over a quarter of a century, the Travancoreans have invested enormous amounts of money in bringing the wild uplands under plantation and now about 60 to 70 thousand acres of plantation belong to them out of a total of 1,00,000 acres. They enriched the country and found work and means of livelihood for many thousands. But now all the labour of their hands is mortgaged to the coastal firms, without ever a visible chance of liberation from accumulating liabilities. It is true that there were years of handsome profits ; but the profits were generally spent

on extensions and developments and, in the expectation of continued prosperity, no reserves were built up against lean years.

Several leading planters produced before us their accounts which purport to show that, on account of accumulation of compound interest, the original advances have grown beyond the capacity of the estate owners to repay and that the total debt outruns their utmost efforts to meet liabilities by the delivery of the entire proceeds of succeeding years.

Some firms are reported to have settled accounts at concession rates. In one instance, a debt of Rs. 10,000 was settled by cash payment of Rs. 5,000. In another, a transaction involving Rs. 28,000 was settled by payment of Rs. 16,000. In a memorandum presented to us by the Kanjirapally Planters' Association, they have stated that, from actual settlements of transactions, it is seen that the firms might probably close accounts on payment of 50 per cent in cash. But on account of the low price of produce and the restriction in the amount of saleable crop, the planters are not able to find the cash to settle debts even on such terms.

The planters have represented to us that unless substantial relief is offered, they are likely to lose their estates, sooner or later. The firms have reaped large profits from their dealings with them. It was a very paying business to the firms and they have shared with the planters the profits of the industry. The planters, therefore, maintain that the firms should share also the incidental risks and losses. Even now the firms get their usual rate of commission, and interest and all the other items of income from the transactions. The producers, however, are left with a steadily increasing debit account with the sale of every consignment of produce. They, therefore, suggest relief on the following lines :—

(i) A special Debt Conciliation Board should be constituted to bring about a settlement of the debts outstanding between the creditor firms and the debtor planters. On such a board, the planters should have representation.

(ii) A fifty per cent reduction should be made in the present amount of debts and the balance should be made payable in 25 equal annual instalments, at 3 to 4 per cent interest. If any instalment is defaulted, only the payment of that amount should be enforced. If they deliver the crop, they should be regarded to have paid the instalment due.

(iii) An alternative suggestion placed before us is as follows :—The whole of the accumulated interest should be written off. The commission of the firms should not exceed 2 per cent and this should include all incidental charges, except freight which may be debited to the estates. The balance should be realized in 25 equal annual instalments which should be payable as stated above.

42. The point of view of the coastal firms.

The chief coastal firms having large transactions with the estate owners are the following :—Messrs. Volkart Brothers Ltd., Cochin, Aspinwall & Co., Ltd., Alleppey, and Darragh Smail & Co., Ltd., Alleppey. We have not obtained direct evidence from the above firms. The Travancore Chamber of Commerce has furnished detailed answers to the questionnaire, particularly in reference to the indebted planters. Their representatives also gave oral evidence, supplementing their written answers to the questionnaire. Besides, the Manager of Messrs. William Goodacre & Sons, Ltd., gave evidence on behalf of his firm. Subsequently, copies of the record of all the evidence that we had collected on the question of the indebtedness of the planters were sent to the coastal firms mentioned above for an expression of their views. They have informed us that they fully concur with the views placed before us by the Travancore Chamber of Commerce and by the representative of Messers. Willam Goodacre & Sons, Ltd. The following is a resume of the views expressed on behalf of the coastal firms :—

It has been usual, for some years now, for some of the coastal firms to advance loans on the hypothecation of crops to rubber and tea cultivators for the current expenses of the estates. To the firms, the business offered a prospect of legitimate profits

and to the estate owners, financial assistance towards tapping, transport and marketing of their produce.

Only a small portion of the loans is usually spent for meeting the current expenses of the estates. The major portion is spent for the purchase of new land and opening up and developing fresh areas.

The coastal firms filled a definite place in the planting economy. for there was no other agency prepared to finance the planters on such low rates as those of the firms or on the basis of the hypothecation of crops. The rate of interest varies between 7 and 9 per cent, whereas the minimum rate at which they could get money elsewhere was 12 per cent. It is not reasonable to suggest that the coastal firms thrust money on the planters. The dealings were effected mainly on the lines of other borrowings.

Advances are usually made on the security of the anticipated crop of the year and are intended to be extinguished within the same year. The firms do not take any risk on the foreign market. They have no other interest in the sale of the produce except that of an agent. They handle the produce for a certain percentage of the sale proceeds by way of commission, the maximum being 2½ per cent and the minimum 1½ per cent.

With regard to the actual sales, they merely send the produce to London or Colombo, on behalf of the estate owners. Unless the firms have definite instructions to the contrary, in all cases, rubber and tea are shipped at the first possible opportunity. As a matter of fact, had all the constituents permitted their goods to be sold as soon as they were ready, their losses would have been much less as prices were steadily falling. According to the usual type of contract, the firms are obliged to sell rubber at the first opportunity at the prevailing market rate. Otherwise they might well be called upon to make good the losses the estates incurred through undue delay on their part in arranging for the sale. In many cases, when rubber stood in the neighbourhood of 8 as. a lb., the producers either held up supplies on the estate or, having delivered them to the firms,

instructed them not to sell, because, contrary to every market indication, the estate owners considered that they would get a higher price by waiting for it. The market, however, steadily declined and the ultimate losses were much greater than they need have been.

The price of the crop having fallen, the estste owners should place the crop of the subsequent year or years at the disposal of the creditors till the debt is discharged.

The firms do not think that rubber and tea and other hill produce planters fall in the same category as the coconut and paddy growers who have a hard case to-day. There is no slump in rubber and tea at the present moment. In fact, the slump is not the real cause of the present situation; it is only contributory. When everybody finds it hard to get a fair margin of profit the rubber planter is making profit. Since the introduction of the restriction scheme and export ordinances, some of the estates, though not all, must be declaring dividends.

When the advances were made, the estates were making 60 to 80 per cent profits to themselves. They have speculated in land development. In many instances, the planters both evade and avoid payment. Full or part payment could have been made in many cases, but were not.

Regarding the question of liquidating debts by the surrender of estates, the Manager of one of the leading firms has said: "If any planter puts his estates into my hands, even though they do not cover the debt in full, I will accept them and close the accounts with him." This, however, does not mean that they are anxious to dispossess the debtors, but only that they do not like to harass those who come forward and offer all that they have in satisfaction of the debt, even if the debt is far from being fully discharged thereby. The trouble is that so many debtors will not make any attempt to pay anything and that there are instances of evasion of payment on the part of certain estate owners.

They consider that the working of the debt conciliation board is impracticable. The best thing is for the planters to go

to the coastal firms and settle accounts with them. The payment of debt and interest should be a matter of arrangement between the firms and their debtors. The firms are prepared to meet all reasonable proposals of the indebted planters who are really hard hit. They must meet their creditors as businessmen and state their case that they are unable to pay in lump, but will pay in instalments and give security. But so many debtors never go to their creditors until the case has been heard decreed, and appealed against. Then they go forward and ask for a compromise which is impossible after 5 years of trouble and expense. But if any debtor goes to his creditors honestly, in the first place, and talks over the matter, there would be no difficulty for a compromise. The firms are always ready for a compromise, because, apart from any other consideration, they know that if they go to the court, it would take 5 or 6 years to settle the debt.

Conciliation is desirable on the principle that cash will be paid. The representative of one of the leading firms has expressed himelf as having no objection to reducing the debt amount by 50 per cent, if the balance is paid in cash. In a letter to the Committee, Messrs. Darragh Smail & Co. Ltd., state as follows :—"We have a large number of outstanding tea and rubber estate debtors (mostly rubber) and have, in many instances, compromised the debts to the extent of as much as 50 per cent, provided, the party concerned made a cash payment for a reasonable amount and undertook to pay the balance in instalments spread over a given period at a reduced rate of interest, generally 6 per cent. In some cases, we have also rebated interest to a considerable extent, to assist the debtor out of his difficulties.

"We are always ready to give proposals by debtors our sympathetic consideration and make such allowances as we may consider fair and reasonable, as we realize that there must be some 'give and take' on both sides, if a satisfactory solution is to be arrived at in the settlement of these debts which were mainly brought about by the heavy drop in the price of rubber, and to a lesser degree, in tea."

Messrs. Aspinwall & Co. Ltd., in their letter, state as follows :--

"With regard to your specific question on the subject of the appointment of a special conciliation board, we are of the opinion that such a board is unnecessary, as there are no difficulties between planters and ourselves which cannot be adjusted by direct negotiations."

Messrs. Volkart Brothers, Cochin, in their letter to the Committee make the following statement : --

"We are, however, of the opinion that a conciliation board is quite unnecessary as, as far as we are concerned, we shall be only too glad to consider any reasonable proposal that is placed before us by any of our constituents. We may say that we have not effected a single sale of an estate by court auction or otherwise but that on the contrary, we have been called upon to pay Government taxes and other dues on behalf of estates in order to save them from forced sales by the Revenue authorities.

"It is our view that no interference by Government is warranted in view of the fact that Government action in connection with export and other restrictions in respect of rubber and tea has placed estate owners in a position to market their crops with a reasonable margin of profit."

43. The need for a practicable settlement.

We have already given above the proposals for relief which the planters have placed before us. They consider that a special debt conciliation board appointed for this purpose will be in a position to bring about an expeditious settlement of the outstanding debts. The coastal firms, as we have seen, cannot be said to be entirely against the idea of conciliation, although they are afraid that the working of the Board may be impracticable, whereas they are always willing to consider any reasonable proposal by the planters, between whom and themselves, they feel there are no difficulties that cannot be settled by direct negotiations. Some of them, however, have expressed themselves as inclined to scale down debts by 50 per cent on condition of cash payment, and to reduce the rate of interest and allow instalment payment, provided security is offered.

The planters say that they have not endeavoured to enter into direct negotiations with their creditors, with a view to arriving at a practicable scheme of debt settlement. Having bestowed our very careful consideration to the subject, we are of the opinion that a debt conciliation board specially constituted for this purpose will be able to bring debtors and creditors together, so as to evolve a solution of the problem acceptable and applicable to both the estate owners and the coastal firms. The concessions already granted by some firms in individual cases may be examined with advantage as a working basis and mutually acceptable terms can be more easily found.

Though the firms are inclined to doubt the practicability of the debt conciliation board and consider it rather superfluous, it will be seen that they are not quite opposed to the idea, while the planters are definitely agreeable to it. We are, therefore, of the opinion that it would be expedient to constitute a special debt conciliation board for the purpose. As regards the composition of such a board, a definite suggestion that has been placed before us, from the side of the estate owners, is that it should consist of an official of the status of a Division Peishkar as President and one European planter and one Indian planter, both owing no liabilities to the coastal firms.

With regard to the above suggestion, Messrs. Volkart Brothers of Cochin, one of the leading firms having extensive crop hypothecation dealings, have, in a letter to the Committee expressed themselves as follows :—

"We do not think that the constitution of the board on this basis would be fair, as the planting interests only would be represented. It would seem fair that a member of a coastal firm should also be appointed to the Board. There are several firms who have no transactions with planters and from whose staff a suitable representative may be chosen."

In our opinion, this is a very fair and reasonable suggestion. Taking, therefore, all circumstances into consideration, we have made the recommendation given in paragraph 36 (ii) above.

44. Special boards for co-operative societies.

We have already explained the circumstances in which we have considered it expedient that our general proposals should not relate to debts due to the co-operative societies (*Vide* paragraph 21). Nevertheless, we have also pointed out that the members of the co-operative societies should not altogether be excluded from the benefits of debt relief available to the rest of the agriculturists. We, therefore, propose that it should be possible for relief, from within the movement itself, to be made available to them, on lines parallel to those we have proposed for the rest of the agricultural debts.

We, therefore, recommend that special debt conciliation boards should also be appointed in respect of co-operative societies, preferably on the recommendation of the Registrar.

It should be open to the co-operative societies and their debtors or either of them to go to a special debt conciliation board and ask for a conciliation of the debts. The board should proceed as in the case of conciliation for ordinary debts and issue certificates as to what will be a reasonable arrangement for the adjustment of the debts. If the parties to be affected agree in the conciliation, such agreement should be reduced to writing and may be got filed before the Registrar, so that he may pass an award in pursuance of it. If the parties do not agree to the conciliation suggested by the board, it should be open to any of the parties to produce a copy of the board's decision or certificate to the Registrar who may pass an award in pursuance of it or may pass an award revising the terms of the board's decision or certificate. The award in any case, should be executable, as awards of the Registrar.

We propose also that, irrespective of the conciliation by the board, it should not be lawful for any society to levy or recover any penalty (already accrued or hereafter accruing) for three years or for such further period as Government may fix.

CHAPTER VIII

Relief Proposals—(*Contd.*)

Transactions coming before the courts.

45. Rates of interest.

It is admitted on all hands that ever since the depression began, the interest charges have mostly remained unpaid and that at the present moment the burden of agricultural debt is largely the burden of accumulated arrears of interest. We have received overwhelming evidence that if real relief is to be brought to the agriculturist, substantial reduction should be made in the rates of interest applicable to the period of depression. Some of our witnesses, mainly those representing the credit interests, have expressed strong objection to the adoption of any measure that would be retrospective in effect. They urge that interference with contracts will shake credit and weaken the economic foundation of society. They also point out that it will inflict unmerited hardship on the honest men who have respected their obligations. There are many creditors who are themselves debtors. Among them there will be several who have paid interest on their debts at the contracted rate. They maintain that it will be hard and unfair, if the law now steps in and prevents them from realizing the amount justly due to them under the terms of the contract.

After giving the subject our most anxious and careful consideration, the Committee found that they were left with no alternative but to take the view that no proposal for the relief of agricultural debt would be adeqate to meet the present situation if it did not include a reduction of the rate of interest yet remaining unpaid on past transactions, during the period of the depression. We do not deny the force of the objections which are urged against such a measure and no doubt such objections should prevail in normal times. But the present conditions are abnormal; the prices of commodities have gone down, the economic value of money has gone up and the returns on money

investments are low and above all, a large class of people are likely to be dispossessed of their lands for no fault of theirs and on account of forces beyond their control. In these circumstances, the Committee consider that the State will be justified in enacting special measures in regard to interest charges which, we feel convinced, will afford the much-needed relief to a large class of people, while it will not bring considerable loss to the creditor class.

Our prorposal is not a novel one. In some of the measures adopted and proposals made in British India and the Indian States, there are provisions enabling the courts to open the accounts between parties from the commencement of the transactions and disallow or reduce interest, even such as has already been paid, notwithstanding any agreement between the parties or any settlement of accounts between them or any contract purporting to close previous dealings (*Vide* Chapter X).

We have also to remember that the return the agriculturist has been getting, since 1105 (1929-30), is not anywhere near 12 per cent, but very much below that rate. The creditor, as a partner in agricultural industry, is not justified in expecting from his investment the same return as when the industry was more prosperous and so when the return from land has fallen heavily, it is not unreasonable to ask the creditor to forgo a small share of his income from his transactions with agriculuturists. In the present condition of the agriculturists, we consider that 6 per cent would be a reasonable rate to fix, fair enough both to the debtor and to the creditor. Nevertheless, we do not recommend the rate of 6 per cent to be applicable invariably to transactons of all kinds, but, with due regard to the nature of certain debts, we also recommend rates higher or lower than 6 per cent which as mentioned above, we consider a fair general rate for the depression period.

The new rates that we recommend will apply only to a temporary period, *i. e.*, as long as the present condititions continue to exist and should apply only if payment is actually made within the period. For the future, the Government may retain the liberty to revise the rates, from time to time, as conditions become altered, and if prosperous conditions return, they may even raise it up to the legal rate of 12 per cent.

In the first place, the Committee recommend that the court should have the power to re-open debt transactions involving usurious rates of interest, *i. e.*. rates higher than the statutory rates of 12 per cent for money and 20 per cent for paddy. For this purpose, the court may re-open any debt transaction and settle accounts afresh, whenever the court has reason to believe that any amount has been debited on account of interest which is higher than the statutory rates of interest for money and paddy loans.

Secondly, the Committee recommend a scale of rates of interest applicable during the period of depression. For this purpose, debt transactions are considered under three heads:—

(i) Those incurred prior to 1105 (1929-30);

(ii) Those incurred from and after 1105 up to the date of any new enactment;

(iii) Those incurred subsequent to the date of any new enactment.

The debts incurred prior to 1105 represent pre-depression borrowings. Conditions have changed from 1105 and placed the debtor at the disadvantage which we have already elucidated. Hence, although relief cannot reasonably be claimed up to 1105, from that date, relief is necessary. Up to 1105, the contract rate subject to the statutory limit should apply. From 1105 up to the date of the new enactment, the Committee recommend that the rate of interest should be half the contract rate or 4 per cent whichever is larger.

In a large number of cases, the courts will have passed the decrees and fixed a rate of interest chargeable from the date of the decree, which will vary from 6 to 9 per cent. Our recommendations will affect such decree rates also, as they also will be halved, subject to a minimum of 4 per cent.

Rates of interest will, therefore, vary between 4 per cent and 6 per cent and in the case of transactions where the contract rate is lower than 4 per cent, such lower rates alone will prevail.

The Committee propose that these concessional rates should be available only to those who pay the interest within a date to be fixed by Government who are to have the discretion to extend the period once fixed.

Next, with regard to the interest due on the same class of debts (*viz.*, those incurred before 1105 and still outstanding), from the date of the new enactment, Government may fix the rates of interest for the period in the light of the prevailing commodity prices and returns from money investments.

We are, however, against revising payments of interest already made and, in respect of such payments, would prohibit any readjustment at the reduced rates.

In regard to loans advanced after 1105, as distinct from renewals, or what are in substance renewals made after 1105, of debt transactions entered into before 1105, the matter stands, we recognise, on a different footing. Such loans, *viz.*, loans advanced after 1105, were accepted with the knowledge of the changed and changing conditions. The Committee consider that even in such cases, a reduction of the rate of interest is called for, although we do so with some hesitation. The justification for our recommendation, none-the-less, is that during this period of depression, the return on money investments has generally fallen substantially and that, in actual fact, the agriculturists are unable to pay heavy rates of interest.

In the evidence before us, some of the representatives of the banks while generally opposing the reduction of interest on past transactions urged that if such reduction is made, they should be excluded from its scope. Their position was that they grant loans mainly from the deposits they receive, that they have either paid in cash or credited in favour of the depositors the interest amounts as they accrued, that they have taken credit in their accounts, year after year, interest at 12 per cent on outstanding loans and distributed profits as well as paid income-tax on the basis of the interest so credited, that if a reduction is made from the amounts due to them from the debtors, they will suffer substantial loss entailing denial of dividends to share-holders which in its turn would affect the credit and stability of the banks. The Committee considered this matter very carefully.

As profits are distributed on the basis also of income accrued (not necessarily realized) that is to say, income only expected, there is always the risk of the non-fulfilment of the expectation which leads to writing off "bad debts." If we take it, as we have to, in the light of the evidence before us, that it is not possible to collect in cash all the debts of all the agriculturist debtors, even in spite of all coercive processes, it must follow that some of the profits taken credit for by these banks have to be written off as losses in the near future. Any reduction in the rate of interest, on condition of the interest being *actually paid* within a specified time (and that is our proposal in regard to the reduction of interest) need not, therefore, necessarily lead to such a loss as would not have otherwise arisen at all. It may perhaps be possible to prove by the documents relating to any particular bank that a general uniform reduction in the rate of interest, even though it may be conditioned by the actual payment of the interest forthwith, may cause some special loss. But there is, on the other hand, the fact that a total exclusion of the banks from the purview of our recommendations regarding reduction of interest would mean that the agriculturists who have dealings with these banks will be denied a substantial share of the relief which we propose and such exclusion, we feel, would be totally unjustifiable. We cannot, at the same time, over-look that a substantial loss to these banks may produce repercussions involving a large number of people, a contingency which does not exist in the case of ordinary creditors who lend their own savings Having anxiously considered all the aspects of the question, the Committee have come to the conclusion that it will be equitable to all parties if, in the matter of this reduction of interest, some sort of special treatment is accorded to the banking institutions, including within its scope joint-stock banks, private banks and other banking institutions which carry on their loan transactions mainly with the deposits that they receive from the public. The rate of interest allowed by these banks to depositors rarely, if ever, exceeds 9 per cent. The Committee, therefore, consider that if a rate ranging from 6 to 9 per cent is fixed as the reduced rate of interest instead of the rate fixed in the case of ordinary creditors, it will afford some relief to the agriculturist debtors

owing moneys to these banks without, at the same time, causing any appreciable loss to these institutions.

With regard to debt transactions incurred after the date of the enactment, the Committee is of opinion that, for three years after that date, the maximum rate of interest allowable should be 6 per cent for secured and 9 per cent for unsecured debts. We do so, because we feel that the present economic conditions are not likely to improve materially during the next three years.

As regards the charging of compound interest, we find that the practice of adding up interest with quarterly, half-yearly and annual rests is very common and particularly so, in the case of loans advanced by the banks. The debtor, in his need, often contracts, to his detriment, that the interest, if defaulted, may be added to the principal and bear interest at stipulated intervals of a year or less. The creditor resorts to this device in order to defeat the *aravasi* principle that the law has prescribed. In our opinion, the practice of charging compound interest in the manner mentioned above is inequitable and should, therefore, be prohibited in the case of debts advanced to agriculturists. The method of calculating interest on arrears of interest that we propose is in agreement with the spirit of the law embodied in the *aravasi* principle.

Our recommendations regarding rates of interest are, therefore, as follows : —

(i) Whenever a court has reason to believe that a debt transaction is of such a nature that it includes moneys debited on account of interest which is more than 12 per cent in the case of money loans or 20 per cent. in the case of paddy loans, the court may re-open the transaction and settle the accounts afresh, allowing only the maximum interest allowed by the then law, that is, the law in force at the time when the interest was debited.

(ii) (*a*) In the case of debt transactions entered into before 1105, whether a decree be passed thereon or not, the interest payable thereon for the period from 1105 up to the date of any enactment passed for the purpose should be at one-half of the rate of interest payable if the enactment had not been passed

or at 4 per cent whichever is larger, provided that payment of interest is made before such date as Government may fix from time to time. If the agreed rate is less than 4 per cent, such rate should prevail.

(*b*) As regards the interest due for periods after the date of the enactment, it should be competent to Government to revise the rate of interest from time to time. The Government should do this, having regard to the commodity prices prevailing at the time and on a consideration of what would then be deemed to be a reasonable return on money investments.

(*c*) As regards amounts paid before the date of the enactment (or preferably the date of the introduction of the bill for the purpose), it should be open to the creditor to appropriate them for interest at the contract rate or, as the case may be, at the rate fixed in the decree.

(*d*) The interest allowable on transactions entered into by agriculturists from and after 1105 up to the date of any enactment that may be passed for the purpose or some other specified date, should in no case exceed 6 per cent., whether the debt be secured or unsecured, if payment is made within three years from the date of the enactment, provided, however, that in the case of banks which have been receiving deposits in the regular course of business and have been issuing loans, it should be in the discretion of the court to allow interest up to 9 per cent instead of 6 per cent.

(*e*) For a period of three years after the date of the enactment, the maximum rate of interest allowable in law should be 6 per cent in the case of secured debts and 9 per cent in the case of unsecured debts.

(*f*) Any provision in a document which is in substance a legally enforceable provision for compound interest, should be construed as allowing interest in the following manner only (and this should apply to future transactions also) namely, the debt should bear only a simple interest, till the arrears of interest amount to 50 per cent of the principal and thereafter simple interest should be calculated on the total amount, that is, on the principal plus the *aravasi* interest, till the interest on that

total amounts to 50 per cent thereof and thereafter simple interest on such total amount and so on.

Illustration. A borrows Rs.1,000 with an enforceable contract for compound interest, with annual rests, at 12 per cent. Simple interest will be calculated on Rs.1,000 until the total of principal and interest amounts to Rs. 1,500. Thereafter, simple interest will be calculated on Rs. 1,500 until the interest reaches Rs. 750. Thereafter simple interest will be calculated on Rs. 2,250 and so on.

46. Recovery of decree debts in instalments.

We now pass on to the execution of money decrees. Wherever debt relief has been attempted in India, both in the British Indian Provinces and the Indian States, the principle has been accepted that, in the prevailing circumstances, the debtor should be given the facilities to pay his debts in instalments We also are of the opinion that the courts should be empowered to order, in certain circumstances, the payment of the decree amount, in instalments spread over a period not exceeding twenty years. The court should also have the power to revise, from time to time, the order once passed, having regard to the changing conditions. In ordering payment in instalments, the court should take into consideration, among other relevant circumstances, the amount of the debt, the duration of the transaction, the conduct of the debtor, the need and other economic conditions of the creditor and the ability of the debtor to raise funds from the Land Mortgage Bank or other recognised institutions and the willingness of the decree-holder to accept the same in full settlement of the debt. The court, however, may not order instalment payment unless the debtor gives adequate security for the payment of all instalments and deposits the first instalment within the time ordered by the court. In case of default, only the instalment concerned should be recovered with interest. But if three consecutive instalments are defaulted, the court may order the recovery of all the instalments in full.

Our recommendations in regard to the execution of money decrees may be detailed as follows:—

(i) In the execution of any decree for money (whenever passed), it should be competent to the court to order, having

regard to the circumstances noted below, that the amount due should be recovered in such number of instalments spread over a period not exceeding twenty years on such terms as the court thinks fit to impose. And it should also be competent to the court, having regard to the said circumstances, to revise, from time to time, the order once passed and (in revising) order that the amount already ordered to be recovered in instalments be recovered in a lump or that the number of instalments already fixed be increased or decreased, or that the period of the instalments be varied, or that the terms imposed be varied and the like.

(ii) The circumstances referred to are the following :—

(*a*) the amount due under the decree ;

(*b*) the period for which the decree and the transaction which is the basis of the decree have been outstanding ;

(*c*) that adequate security has already been given for the amount ;

(*d*) that the debtor has been making honest efforts to make repayments ;

(*e*) that the debtor has fraudulently executed any document in respect of his properties to defeat his creditors ;

(*f*) the need and other economic conditions of the decree holder ;

(*g*) that the creditor is prepared to accept in full settlement the amount that the debtor may reasonably raise from the Land Mortgage Bank or such other recognised institutions by hypothecating his properties.

(iii) The court should not order recovery by instalments, unless the debtor is prepared forthwith to pay the first instalment and all the debtor's properties are placed under attachment or, if the debtor so elects, the debtor gives adequate security for the payment of all the instalments, provided that for reasons to be recorded in writing, the court may grant time for payment of the first instalment.

Note The Committee is of opinion that the court should exercise this discretion ordinarily in favour of the agriculturist debtor.

(iv) Whenever any debtor makes any default in payment of any instalment, the court should, except for reasons to be recorded in writing, order the recovery of only the instalments that have been defaulted together with the interest due thereon and whenever three instalments are in default consecutively at any time, the court should, except for reasons to be recorded in writing, order that all the instalments shall be recovered in a lump.

47. Sales of property in court auctions.

Notwithstanding the provisions for the compounding of debts through Debt Conciliation Boards and for instalment payment of decree debts, cases may arise in which debts may have to be recovered by the sale of land through the court. We have been impressed by the fact that, in the existing circumstances. there is the possibility of wide-spread distress arising for the agriculturists on account of agricultural land, on a large scale, being sold away in court auctions, in satisfaction of decree-debts. The land has gone down in value considerably, and, if it is sold off during this depression, the agriculturist will not only be deprived of his land but also have to part with it for a comparatively low value without even being able thereby to discharge the whole debt. We have to remember that land has gone down in value, not because of any fault of the agriculturist but because of a world-wide catastrophe which has to be regarded as an Act of God.

As for the creditor who has advanced a loan before the depression, if he can recover the debt by the sale of the debtor's land or by other means, the money so obtained, at this period of depression, would be worth to him considerably more than what it was worth at the time he advanced the loan. Consequently, the recovery of a loan in the very same amount as that in which it was advanced, places the creditor in an unduly advantageous position. This, again, is not due to any merit or effort of the creditor but to the increased purchasing power of money, brought about by causes beyond the control of man.

In view of these facts, namely, the fall in the price of land on the one hand and the rise in the purchasing power of money on the other, we have tried to devise a method of equitably adjusting the relationship between the creditor and the debtor in the matter of sales of land in execution of court decrees. After deep consideration, we have come to the conclusion that, if land is to be sold, at this period of depression, for the entire sum due to the creditor, it would be inequitable to allow the sale at its current price At the same time, we feel that we should not put up the price of land so high as that which prevailed in the pre-depression period. The former will be unjust to the debtor and the latter to the creditor. We consider it equitable that the creditor as well as the debtor should share the advantages and disadvantages brought about by adventitious circumstances beyond their power. We have, therefore, decided that land should be valued at the average of the prices before and during the depression period. If the land is to be sold only for that average price or if the land does not fetch that value, the debt should be taken to be discharged to the extent of the average value. But this would be allowed only if the sale is to take place for the entire sum immediately. If, however, the creditor can afford to wait till normal times come, and then seek to recover the money, the rule proposed above will not have any application and he can get the land sold at the then current price. In regard to the sales for the recovery of loans advanced after the depression set in, the average, for the above purpose, may be taken between the time of the advance of the loan and the time of the sale. This average cannot largely differ from the current price.

Money due on hypothecation transactions has also engaged our special and anxious consideration. On the one hand, it was urged that since the hypotheca was presumably taken as an ample security by the creditor, he should be compelled now to abide by that security and that alone and should not be allowed to seek to recover debt by bringing to sale any other land or property than the land secured. On the other hand, it was urged that money advanced on hypothecation bond is primarily nothing

more than a loan transaction and that whatever a simple debtor s entitled to do should not be denied to a hypothecation creditor simply because he took security for the loan. To say that the creditor should be satisfied merely with the security that was offered originally may amount to insisting that he should accept the secured land in complete satisfaction of the debt and, therefore, to lay down, in effect, that the debt should be cut down, having regard to the present value of the security. We do not think that this would be quite fair. However, the rule that we propose below in regard to the sales of land during this period of depression applies in the case of decrees based on hypothecations also and, it seems to us that that will be fair to the creditor as well as to the debtor.

Our recommendations in respect of the sales of property in court auctions are as follows:—

(*a*) In regard to sales of immovable property in execution of decrees, not being instalment decrees, the following rules should be observed for a period of three years from the date of the new Regulation or for such further period, as Government may fix, *viz.*, the property sought to be sold should be valued in the manner specified below and the sale of the property shall be deemed to discharge the decree debt, to the extent of such value it being, of course, open to the decree holder to purchase the property as in all execution sales.

(*b*) If the land fetches at the court sale an amount higher than the value fixed, the debt should be discharged to the extent of that amount.

Note. Property which is more than necessary to cover the debt should not be brought to sale.

(*c*) The principle to be adopted in valuing land for the above purposes should be to arrive at an average between the price immediately before the depression and the present price. The machinery and method for arriving at a value may be left to the courts or to be prescribed by rules framed by Government. Such rules may be uniform for the whole State or different for different places.

Illustration. A plot of land is estimated at Rs. 10,000 in value in 1104. It is estimated at Rs 4,000 at the present time. The average *viz.*, Rs. 7,000 should be fixed as the value of the land. Such rules may be framed as would enable the above said result being arrived at more or less.

48. Mortgage with possession (*Otti*),

Under the existing law, the mortgagee is entitled to sue, on the expiry of the mortgage period, for the recovery of the mortgage amount and, for that purpose, to proceed against the mortgaged property as well as the other properties of the mortgagor and, if necessary, against his person also. In view of the present economic conditions and of the fact that the mortgagee has been in possession and enjoyment of the property and that he had considered that the income from the property gave him an adequate return for his money, we are of the opinion that he should be prevented from proceeding against the other properties and the person of the mortgagor. He may, however, be permitted as in British India, to sue for a declaration entitling him to absolute proprietory rights over the mortgaged property, in case the mortgagor is not able to pay the mortgage amount, within the time that may be specified by the court.

Even if a decree has already been obtained by the mortgagee for the sale of the property, either the mortgagor or the mortgagee should still have the right to apply for the above declaration in favour of the mortgagee, so as to leave unmolested the mortgagor's person and his other properties.

It has come to our notice that, in certain parts of North Travancore, there are many instances of *otti* transactions of a special type. In such transactions, the needy debtor is constrained to mortgage his property to the creditor who desires a high rate of interest and the property is at the same time leased back to the debtor. By this device, the creditor not only gets a usurious rate of interest on his money (which will not be legally allowable in an ordinary loan transaction) but also succeeds n evading payment of income-tax on the profits of his investment.

In our opinion, such transactions should be treated as hypothecations with interest at 12 per cent only, till 1105 (1929-30), and at the reduced rates already proposed by the Committee, thereafter.

We, therefore, recommend:

(*a*) That in the case of *otti* (or mortgage with possession) including *chittotti* (or sub-mortgage) the mortgagee should not be entitled to sue for the mortgage money or for the sale of the property, but he should have the right to sue for foreclosure of the property as in British India under the Transfer of Property Act.

(*b*) If there be already a decree for the sale of the property in a suit based on the mortgage, it should be competent to the court to convert it into one of foreclosure on the application of the mortgagor or the mortgagee.

(*c*) If a transaction which purports to be a usufructuary mortgage (*otti*) is proved to have been intended to be only a hypothecation, such transaction should be treated as a hypothecation with interest at 12 per cent per annum till 1105 and such rate of interest thereafter, as are proposed by the Committee for loans taken by agriculturists, provided that payments already made should not be re-opened.

Illustration. (i) A, a money-lender, lends Rs. 1,000 to B and takes a usufructuary mortgage of B's property and leases the property to B so that possession is not changed in fact. A does this with a view to see that the interest on the amount advanced is not assessed to income-tax. This transaction should be treated as a hypothecation with interest at 12 per cent per annum till 1105 etc

(ii) A, a money-lender, advances a loan of Rs. 1,000 to B, on the security of his property. A desires to get 24 per cent interest. He, therefore, takes a usufructuary mortgage of B's property yielding a *pattom* of Rs. 240 and leases it back to B for that *pattom*. This transaction should be treated as a hypothecation at 12 per cent till 1105 etc.

49. Arrest and imprisonment of the debtor.

In the course of our enquiries, we have been deeply impressed by the existence in the country of a wide-spread feeling that the law relating to the arrest and imprisonment of the decree-debtor stands in need of modification, at any rate, as regards the period of depression. Most of the leading public men and some of the leading bankers who gave evidence have expressed themselves strongly against the continuance of the present practice. But the majority of the bankers, moneylenders and co-operators who lend money on personal credit are against any modification of the law, particularly as regards past transactions. Even amongst them, there are many who have no objection to modifying the law in respect of future transactions or to exempting from arrest the honest agriculturist debtor who is really unable to pay, but is prepared to furnish security for the debt.

Having very carefully considered the matter from various points of view, the Committee have come to the conclusion that, as regards the agriculturists, the law may be suitably modified. In our recommendations, we make a distinction between past and future transactions. According to our recommendations, arrest of agriculturists may be permitted, both as regards past and future transactions, only in cases relating to co-operative institutions, or where the debtor is really able to pay but is found to be dishonest and evading payment in order to defeat the creditor. As regards the past transactions, the present practice may continue in the above cases, but the honest debtor who is really unable to pay without time being given and is prepared to submit to the court a list of all his properties and undertakes not to alienate them without orders from the court, may not be arrested.

The Committee consider that the above proposals are fair both to the creditor and the agriculturist debtor hard hit by the present economic conditions. For the future, the lender will lend with eyes open and for the past, the honest debtor will be protected, the creditor being given an assurance of the existence of assets from which, if need be, the debt may ultimately be realized.

In the case of co-operative societies, the loans are mostly advanced on the basis of personal credit. Workers in the co-operative field have urged that in case the provision for arrest is removed, the whole movement is likely to collapse. We, therefore, consider that the law may continue to operate in respect of their transactions, the question of modifications being left to the societies themselves.

Our recommendations in this regard are as follows : —

(*a*) In respect of no future transactions, except in the following cases, should arrest and detention be permitted :—

(i) In all transactions with co-operative societies or co-operative banks ;

(ii) In all cases in which the debtor is found guilty of fraudulent conduct ;

(iii) In all cases where, in the view of the court, the debtor is able to pay but evades payment, this matter being left to the discretion of the court ;

(iv) In cases where a person borrows money on an express statement in writing that he is not an agriculturist.

(*b*) As regards past transactions, not being of the nature described in (i) to (iii) above, notice should be served on the debtor to show cause against arrest and if the debtor gives a declaration that he is not able, without time being allowed, to pay, and gives a list of all his properties, with full particulars, and undertakes not to alienate his properties without orders from court, the warrant should not be issued or the debtor arrested, and if it is proved that his statement is wrong or that he has alienated any of his properties against the declaration, he may be arrested. In regard to cases falling under clauses (i) to (iii) arrest should be allowed.

CHAPTER IX.

Relief Proposals—(*Contd.*)

Miscellaneous.

50. Chittles.

It is not necessary for us to examine the soundness or otherwise of the chitty system from an economic point of view. This has already been done by the Banking Enquiry Committee (*Vide* Report, Chapter XIII).

There is a large volume of opinion that chitties are harmful and ruinous to agriculturists. It should be noted that the prizing of a chitty at a heavy discount is really the same thing as borrowing money at usurious rates of interest. Even in normal times, the punctual payment of the regular instalments is very difficult for agriculturists. The present crisis has clearly demonstrated that the system is essentially unsuited to those who, like the agriculturists, have no definite source of regular income. We have already pointed out that the chitties have ceased to be a source of credit to the agriculturists. In fact, no small part of their present difficulties is ascribed to chitty transactions. The Committee is of opinion that during the depression period agriculturists should not be permitted to start or to subscribe to chitties. According to all accounts the chitty subscribers have suffered most disastrously from the provision which is invariably made in the chitty *variola* entitling a foreman to sue for the realization from a defaulting prized subscriber all future instalments in lump, with interest on the whole amount from the date of the first defaulted instalment. We considered this matter very carefully. Legally, the entire sum with the interest thereon is a debt due to the foreman and recoverable by him. If we apply to this debt the provision with regard to instalment payments and reduction of interest applicable to ordinary debts, it would follow that the entire sum will remain due with interest, though at a reduced rate, on the entire sum. This may not bring sufficient relief to the subscriber and, perhaps, it is not also quite necessary

that the foreman should be considered to have the entire sum as owing to him. The only other alternative which we could think of is to allow the foreman to recover only the defaulted instalments, with interest on such defaulted instalments, but not interest on the entire sum legally due. In calculating interest on such defaulted instalments alone, we think that 12 per cent may reasonably be allowed, firstly because interest is being charged only on an instalment of the debt and not on the entire sum, as in the case of ordinary debts and secondly, because of the peculiar responsibilty of the foreman to pay the prized subscribers in a lump sum, as each chitty is prized.

After carefully considering the whole question, we have come to the conclusion that the latter alternative is helpful to the subscriber and not inequitale to the foreman.

In this connection, having regard to old and, perhaps, terminated chitties, it may be pointed out that the maximum interest that the subscriber may have to pay on each instalment is *aravasi* and after the accumulation of the *aravasi*, no interest at all will be payable on such defaulted instalment.

As regards the recovery of the instalments, our view is that the foreman may either sue for the defaulted instalment only, with interest due thereon, or obtain a decree for the whole amount of future instalments, but recover the past instalments and the future instalments only, as they fall due, with interest from the respective dates. Even in a case where decree has already been passed for a lump sum, the court may be empowered to convert such decree into one of the kind proposed above.

All our recommendations regarding conciliation, instalment payment and regulation of execution sales should also apply to chitty debts and decrees obtained on chitty transactions and be available both to the foreman and the subscribers alike.

Amongst the chitty foremen and subscribers, there is, nearly in every case, an intermingling of agriculturists and non-agriculturists. It is not, therefore, practicable without creating complications and undue hardships, to offer relief to agriculturists

alone, in regard to chitty transactions. So, if either the foreman or any one of the subscribers is an agriculturist, the foreman and all the subscribers should be regarded as agriculturists.

Our recommendations with regard to chitties are as follows :—

(*a*) During the period of depression or for such period as Government may fix, no agriculturist should start a chitty or be permitted to subscribe to a chitty.

(*b*) Notwithstanding any contract that on the default of any one instalment of a chitty, the subscriber should pay all future instalments in a lump, it should not be competent to the foreman to recover such lump sum, but he may sue for the defaulted instalment with interest at agreed rate, not exceeding 12 per cent in any event, or

(*c*) In the alternative, he may sue for the lump sum, in which case the court should pass a decree that all the instalments till the date of the decree should be paid with interest on each instalment from its respective date, and that for the future instalments, the subscriber defendant should pay them as each instalment falls due and if he makes default such instalment alone with interest thereon may be recovered.

(*d*) Even if a decree had already been passed on a chitty bond for a lump sum, it shall be competent to the court to convert it into a decree of the aforesaid kind, whether the chitty had terminated or not.

Illustration. A foreman obtains a decree for a lump sum on a chitty bond. On the date of the decree, five instalments had been defaulted. The defendant applies on some date after the tenth instalment to convert the decree. The court should convert the decree into a decree for the payment of the ten instalments in a lump, with interest on each instalment from its respective date and for the payment of the remaining instalments as each falls due.

(*e*) The provisions regarding conciliation, instalment decree and the regulation of execution sales should apply to chitty debts and decrees obtained on chitty transactions (whether the amount be due to a foreman or to a prized subscriber), the amount of the chitty debt or the amount of the chitty decree, as the case may be, being treated to be that alone which has actually accrued due till that date, with interest thereon.

(*f*) The foreman and all the subscribers to every chitty transaction should be deemed to be agriculturists in respect of chitty debts, if either the foreman or any one of the subscribers is an agriculturist.

51. Paddy loans

The system of paddy loans is, for the most part confined to Kuttanad. The cultivation of the paddy fields of this tract requires the expenditure of large amounts of money as well as paddy, a good portion of which is borrowed. The rates of interest on paddy loans are high, ranging from 12 to 20 per cent, apart from several other charges incidental to paddy loans. We understand from the evidence given by both creditors and debtors that large quantities of paddy loans remain unpaid. The agriculturists of the region are, in general, heavily involved in debt and faced with the prospect of losing their lands on account of utter inability to discharge their debts. (*Vide* paragraphs 37 and 38). The Committee consider that substantial relief should be afforded to the large agricultural population of this important food-producing area. One method of achieving this object is to bring about an equitable reduction in the rates of interest on paddy loans.

The Committee, therefore, propose that the interest on the paddy debts outstanding on the date of the new enactment should be paid at one-half the contract rate or 6 per cent whichever is larger, if payment is made within one year from the date of enactment or such further period as Government may fix from time to time. But if the contract rate is lower than 6 per cent, such lower rate alone should prevail. The illustration will make the proposal clear.

We also propose an alternative method of settlement. The amount of the standing debt may be calculated in money at the price current on the date of the transaction and the debt may be treated as a money debt bearing interest at the rates we have proposed for money loans.

For the future, we suggest that paddy loans should be treated as money loans calculated at the current market rate on the date of the transaction and interest should also be allowed only as on money loans.

In this connection, it may be observed that grain loans were once very common in North India, especially in the Punjab and the United Provinces. But with the more general diffusion of modern conditions, there is a tendency everywhere to substitute cash for grain. Even where grain dealings continue, the basis of calculation for settling accounts is not the measure or weight of the grain but its value in cash. (*Vide* '*The Punjab Peasant in Prosperity and Debt*'. by M. L. Darling, page 199).

With regard to paddy loans, our recommendations are as follows :—

(*a*) The interest due on paddy loans outstanding on the date of the new Regulation should be deemed to be discharged by payment at one-half of the contract rate of interest or 6 per cent per annum, whichever is larger, if the payment is made within one year from the date of the new Regulation or such further period as Government may fix from time to time, provided that wherever the contract rate is less than 6 per cent such contract rate should apply, as in the following illustrations: —

A owes B 6000 paras of paddy as principal and 4000 paras as interest calculated at 12 per cent. If 2000 paras of paddy is paid within the period fixed, it should be treated to have fully discharged the entire interest of 4000 paras. If 1000 paras of paddy is paid, it should be deemed to have discharged the interest for the period for which 2000 paras is the interest;

(*b*) In the alternative, the debtor may be allowed the option of discharging the debt in the following manner, that is to

say, the amount of paddy outstanding as principal at the last settled transaction should be valued in money at the current market rate prevailing on the date of such transaction and the same should be treated as a money loan, subject to the provisions regarding interest already proposed in respect of money loans.

(c) All paddy loans made in the future should be treated as money loans, calculated at the current market rate of paddy prevailing on the date of the loan and should bear interest as for money loans.

52. The Land Mortgage Bank.

(i) *The present constitution of the Bank and its working.*

With regard to the present constitution and working of the Land Mortgage Bank, the Committee would point out the following defects :—

The bank is at present confined to Trivandrum, although its operations are spread over the whole State. Now it is financed entirely by Government. The capital at its disposal may not be sufficient to admit of expansion, in response to the demands likely to be made on the resources of the bank when our proposals are put into force. The bank now grants loans only for the liquidation of prior debts charged on agricultural land in the pessession of the borrower. There is inordinate delay in the issue of loans consequent on the delay caused in the submission of investigation reports from the taluks. With its present restricted scope and inevitable delays, it cannot afford to render adequate service in a general scheme of debt relief.

(ii) *Suggestions for the development of the Land Mortgage Bank.*

A re-constituted Land Mortgage Bank is a vital part of the scheme of debt relief recommended by the Committee and, therefore, we recommend that the existing bank should be made an effective instrument for liquidating debts, as conciliated by the debt conciliation boards. For this purpose, the bank should be provided with adequate funds to meet the large

demands that may be made on it, in consequence of the operation of the boards. The funds that would be required may be placed at the disposal of the bank, to some extent, in cash but mainly by issuing debentures. Debentures may be issued to the creditors, to the extent of the conciliated amounts, provided the security offered by the debtor is adequate for the purpose.

The debenture may bear interest at 4 per cent and a margin of an additional 1 per cent may be provided in fixing the rate of interest to be paid by the debtors to meet establishment and other charges. The debenture bonds should be negotiable and the interest thereon payable half-yearly, free of income-tax.

(iii) *Other suggestions.*

(*a*) For a fixed period, say three years, preference should be given, in regard to advancing loans from the Land Mortgage Bank, to applications that are made on conciliation between debtors and creditors

(*b*) In the case of loans advanced to liquidate conciliated debts, the present maximum of Rs. 5,000 may be waived.

(*c*) The bank may be empowered to lend money for the repayment of all conciliated debts whether secured or unsecured.

(*d*) The maximum period of loans may be extended to 30 years repayable in half-yearly instalments.

(*e*) Loans may be advanced to the extent of 65 per cent of the present value of properties.

(*f*) Whenever any instalment is defaulted and the secured land has to be sold, it should be sold for the recovery of the defaulted instalment and interest alone, the land being subject, in the hands of the purchaser, to a charge for the payment of future instalments, as they fall due.

(*g*) The present practice of valuing properties by taluk and pakuthy subordinates should be supplemented, wherever necessary, by the appointment of independent valuators.

(*h*) Branches of the bank should be opened at Division headquarters and at as many important centres as Government may consider necessary.

(*i*) The Land Mortgage Bank should be reconstituted on a statutory basis.

(*j*) We consider that it is advisable later on to convert the present Land Mortgage Bank which is a purely Government institution into a shareholders' bank of which the Government should hold 50 per cent of the shares.

(*k*) The Bank should be allowed the right to issue debentures under conditions specified and the interest on the debentures should be guaranteed by Government.

(*l*) Government should have complete control over the management of the Bank.

53. Agricultural Loans.

Government have reduced the interest on agricultural loans to 4 per cent with effect from 1-1-1110. This is a substantial concession. But the Committee feel that this rate should be made applicable also to all amounts that might have been outstanding on that date, in view of the fact that substantial reduction of interest is proposed in the case of private transactions from 1105. While, therefore, appreciating the lowering of the rate of interest and other concessions allowed by Government, the Committee recommend that the interest on all loans outstanding on 1-1-1110 should be similarly reduced and that greater liberality should be shown in fixing the period of repayment.

54. Future financing of agriculture.

It is likely that the measures we propose to meet the stress and strain of the present conditions may lead to some contraction of the credit facilities available to agriculturists. But it is essential that agriculturists should have proper facilities for obtaining the necessary credit for productive agricultural enterprise. In the Committee's opinion, the necessary steps should be taken to make short-term loans available to them on the security of crops, through co-operative societies, from Government or through agricultural banks to be newly organized.

55. Relief before the new legislation.

Some time may elapse before the necessary legislation is completed in pursuance of our recommendations. We are, therefore, of opinion that, in the meantime, all possible facilities and inducements should be offered for debt settlement, even before the new enactment comes into force.

The Committee consider that even before legislation is embarked upon, Government should try to effect conciliation between debtors and creditors by offering inducement that the Land Mortgage Bank or Government will be prepared to advance money wherever a debtor and all his creditors are prepared to bring down the total debt to the amount that may reasonably be advanced upon the security of the immovable property that may be offered by the debtor. It seems desirable also to make a provision that for a period of three years, preference will be given to applications that are made, on conciliation between debtors and creditors, for advance from the Land Mortgage Bank or Government.

56. Temporary character of the provisions.

Most of the proposals that we make are intended to be temporary and may be made to operate for a period of three years, Government reserving the right to extend the period from year to year. Some, however, are of a permanent character. These are :—

(i) Future policy regarding arrest and imprisonment of debtors (paragraph 49).

(ii) Future method of dealing with paddy loans (paragraph 51).

(iii) Reorganization of the Land Mortgage Bank (paragraph 52).

(iv) Future financing of agriculture (paragraph 54).

CHAPTER X.

Measures adopted and proposals made elsewhere.

57. Before we conclude our task, we may, if only to facilitate a better appraisement of our recommendations, indicate, as briefly as possible, the nature and tendency of the measures adopted and proposals made elsewhere in India, towards giving relief to the indebted agriculturists during the period of economic depression. In another connection, we have already pointed out the main lines on which such measures and propsals proceed. (*Vide* paragraph 27).

58. The Bhavanagar State.

According to the scheme of debt conciliation carried out in the Bhavanagar State, a debt of over Rs. 86 lakhs has been compounded for Rs. 20·5 lakhs and the whole conciliated amount paid off by the Government of that State, arrangements being made to recover from the ryots, in easy instalments, the amounts advanced towards their redemption from debt.

59. The Central Provinces.

(*a*) *The Central Provinces Debt Conciliation Act* was passed in 1933 and, so far, eight Debt Conciliation Boards have been established under the Act. The work began with two boards only in areas where indebtedness was very heavy and the chances of settlement favourable. Subsequently, the scheme has been extended to other centres also. Till the close of 1934, the boards settled debts amounting to Rs. 51 lakhs for Rs. 29 lakhs, reducing the debt by 43 per cent. The main feature of the Central Provinces scheme is the establishment of boards *to examine the entire transaction and adjudicate the amount to be repaid and decide the manner of repayment*, with due regard to the nature of the loan, the relation between the parties, etc. The Act provides that if creditors to whom not less than 40 per cent of the debts are due come to an amicable settlement with the debtor, such settlement shall be reduced to writing in the form of an agreement and shall take effect as a decree of a civil court and that in case of refusal by the creditor to agree to the settlement considereed fair by the Board, a certificate shall be granted by the Board to the debtor, stating that the creditor refused a fair offer of settlement made by the debtor

which the creditor ought reasonably to have accepted and from the date of such certificate, the courts will not allow costs or interest on the debt in excess of 6 per cent.

(*b*) *The Central Provinces Usurious Loans Act* of 1934 defines what should be regarded as excessive rates of interest on secured and unsecured loans.

(*c*) *The Central Provinces Moneylenders Act*, 1934, has empowered the court, *inter alia*, to limit the interest recoverable in certain cases and to order payment of decretal amount in such number of instalments and subject to such conditions, having regard to the circumstances of the judgment debtor and the amount of the decree, as the court considers fit.

(*d*) *The Central Provinces Reduction of Interest Bill*, 1934, is a Government Bill introduced in the Provincial Legislative Council with the object of protecting land-holders and tenants who pay rent or land revenue not exceeding Rs. 5,000.

The objects of the Bill are the following :—

(1) Reducing the rate of interest for loans contracted between January 1917, and January 31, 1930, in respect of the period after January, 1930.

(2) Reducing the rate of interest for loans contracted on or after April, 1930, till such time as may be found necessary, owing to the present economic depression.

(3) Limiting the credit of the landholders and tenants so as to check the tendency to incur improvident loans by fixing the maximum amount which may be recovered by a creditor from a debtor by the legal process.

(*e*) *The Central Provinces Agriculturists' Relief Bill* of 1934 is also a Government Bill intended to give relief to agriculturists who pay a land revenue or rent not exceeding Rs. 200 and to agriculturist labourers, but not to those who are assessed to income-tax.

The objects of the Bill are the following :—

(1) to make provision for a legal process under which an agriculturist debtor can apply to a civil court to get his accounts settled and fix instalments for the payment of any sum due ;

(2) to enable a debtor to deposit in court a sum of money in discharge of his debt for payment to the creditor ;

(3) to limit the sale of agricultural produce in execution of decrees to four years ;

(4) to limit usufructuary mortgages to a period not exceeding 20 years ;

(5) to enable tenants to mortgage their holdings to co-operative societies to get long-term credit ;

(6) to enable an agriculturist mortgagor to redeem his land during the currency of the mortgage on certain conditions ;

(7) to provide for a summary method of redemption ; and

(8) to penalise false accounts.

(*f*) *The Central Provinces Debtor's Relief Bill*, 1934, is also a Government Bill. Its object is to make provision for the prevention of debtors from losing their lands or other immovable property at inadequate prices, in the present period of deterioration of prices, so as to enable them to tide over a period of 3 years.

The Bill seeks, *inter alia*, to provide that

(i) No immovable property belonging to any person owing a debt shall be sold in execution of a decree or order of any court, notwithstanding any contract, usage or law to the contrary.

(ii) No immovable property of a debtor shall be foreclosed in pursuance of a preliminary decree for foreclosure passed in a mortgage suit by any court.

(iii) No person, owing a debt, shall, except with the consent in writing of his creditor, be competent to alienate his property during the period in which the enactment is in force.

(iv) The period of time in which the enactment is in force shall be excluded for limitation purposes.

60. The United Provinces.

A series of Acts intended to give relief to the indebted agriculturists was passed by the United Provinces Legislative Council, in 1934. The more important of these are the following: — The Usurious Loans Act, 1934, The Temporary Regulation of Execution Act, 1934, The Agriculturists' Relief Act, 1934, and the Regulation of Sales Act, 1934

(a) *The Usurious Loans Act*, 1934, provides for the maximum rate of interest on secured and unsecured loans, the manner in which alone compound interest shall be calculated and defines what rates of interest should be regarded as excessive

(b) *The Tenporary Regulation of Execution Act*, 1934, makes temporary provision for the regulation of execution of civil court decrees for the debts of small agriculturists passed before the commencement of the Act.

The Act provides *inter alia*: —

(i) The temporary regulation of execution of civil court decrees for the debts of small agriculturists, the maximum amount of the decree being Rs. 1,000.

(ii) A judgment debtor can apply to the court for the benefit of this Act.

(iii) He must pay into court 25 per cent. of the amount due under the decree and the court will stay all further proceedings and allow him to pay the balance into court by annual instalments to be fixed by the court; provided:—

1. If the rate of interest exceeds 24 per cent., the total of the instalments shall not exceed 40 per cent. of the decree amount.

2. If the rate of interest is 24 per cent. or below, the total of the instalments shall not exceed 50 per cent. of the decree amount.

3. The number of instalments shall not exceed five.

4. No interest shall be chargeable on the instalments.

5. If two instalments are in arrears, the decree holder may proceed to execute the decree for the balance.

(*c*) *The United Provinces Agriculturists' Relief Act*, 1934, makes provision for the relief of agriculturists from indebtedness.

This Act applies only to agriculturists who pay land revenue not exceeding Rs. 1,000 per annum or local rate not exceeding Rs. 120 and those who are not assessed to income tax.

The Act empowers courts when passing decrees against agriculturists to fix instalments payable on fixed dates which may extend over a period of 4 to 15 years, having regard to the circumstances of the judgment debtor and the amount of the decree. In passing such order, the Court may either attach the debtor's immovable property or declare a charge on such property, subsisting until the decree debt is paid off or otherwise satisfied. When not less than two instalments are defaulted, the decree holder may enforce payment of the whole amount remaining due under the decree. A decree already passed may be subsequently converted into one for payment in instalments. Further, the Act restricts the future rates of interest, limits the execution of decree by sale of agricultural produce and the forum of suits against agriculturists. It prescribes also the form and terms of mortgages with possession and provides facilites for the redemption of mortgages, the reduction of accumulated interest on future loans, etc.

(*d*) *The U. P. Regulation of Sales Act, 1934*, has made provision to ensure that the creditor, if he enforces the execution of a decree by sale of land during the period of low prices, shall not get more land in satisfaction of his loan than he could have expected to get. if there had been no slump in prices. The Act is intended to be only a temporary measure and would remain in force only so long as the slump in prices lasts.

61. The Punjab.

The Punjab Relief of Indebtedness Act, 1934, met with very great opposition from interested classes in the Provincial Legislative Council.

This Act does not comprehend all classes of debtors, but only those who earn their livelihood mainly by agriculture. It defines what rates of interest shall be deemed excessive or otherwise and enables debtors whose debts exceed Rs. 250 and whose property does not exceed Rs. 2,000 to take advantage of certain provisions of the Provincial Insolvency Act.

The Act is concerned for the most part with making provision for the setting up of debt conciliation boards. The constitution and powers of the boards are based entirely on those of the Central Provinces Act. [*Vide* paragraph 59 (*a*)] The rule of *Damdupat* (twice the principal of the debt) is made to apply to all suits brought against agricultural debtors The agriculturist debtor may make a deposit in court either in full or in part payment of a debt, with a view to obtain relief from the burden of interest.

62. Bengal.

The Bengal Moneylenders Act of 1933 has made provision to :—

(i) enable the debtor to obtain full particulars of his debt from his creditor ;

(ii) prohibit the recovery of compound interest for periods of less than 6 months ;

(iii) fix the rate above which interest will be regarded as excessive ;

"No money-lender shall, recover by suit interest of any kind at a rate exceeding 10 per cent. per annum in respect of any loan made after the commencement of this Act".

(iv) make the rule of *Damdupat* applicable to all arrears of interest ; and

(v) enable the debtor to deposit any portion of a debt in court at any time.

63. Mysore.

(a) *The Mysore Agriculturists' Relief Regulation* of 1928 was intended "to relieve the agricultural classes in Mysore from indebtedness". It applies to agriculturists whose yearly income from sources other than agriculture does not exceed Rs. 500 and the aggregate income from all sources does not exceed Rs. 1000. It provides, *inter alia*, that immovable property which is not specifically mortgaged for a debt is exempt from sale and in the case of all debts, secured as well as unsecured, the court can permit repayment in instalments extending normally up to 8 years and is empowered to enquire into the history and merits of the transaction out of which the suit has arisen, from the commencement of it or open the accounts between the parties from the commencement of the transactions. The court may, in case of decree for redemption, foreclosure or sale, direct that any amount payable by the mortgagor under that decree shall be payable in such instalments and on such terms as to the payment of interest as may seem equitable and allow future interest at a moderate rate. Ordinarily the period shall be 8 years. Further, the court may at any time direct that the amount of any decree passed, whether before or after this Regulation came into force, against an agriculturist shall be paid in instalments, with or without interest, instalments extending ordinarily to a period of 8 years. The Act also provides that no agriculturist shall be arrested or imprisoned in execution of a decree for money, passed whether before or after this Regulation came into force. Immovable property belonging to an agriculturist is exempted from attachment and sale in execution of decrees or order of court, unless specifically mortgaged.

This Regulation originally applied only to the Malnad District, but it has since been brought into force throughout the State and the concessions afforded therein are available to all persons coming within the meaning of the term 'agriculturists' as defined therein.

At a recent session of the Mysore Legislative Council, complaints were made that the extension of this Regulation had

reacted unfavourably on the credit of the agricultural classes. A committee was appointed to enquire into this matter.

The Committee recommended :—

(i) That a new provision be added laying down that in fixing instalments under Sections 11 and 12 of the Regulation, the courts should be required to take into consideration the period that the loan has been outstanding and also the repaying capacity of the judgment debtor ;

(ii) that the power of the court to deny future interest in some cases, when ordering instalments should be modified so as to make it obligatory to allow future interest at a moderate rate in all such cases ;

(iii) that in the event of failure to pay two consecutive instalments, the whole debt should become due and recoverable ;

(iv) that exemption from attachment and sale in execution of money decrees should be limited to the agricultural land only of the debtor and that the other immovable properties should not be so exempt. Even in respect of agricultural land, attachment and sale should be allowed, if after notice to the debtor, he fails to furnish security for the decree amount.

The Government of Mysore passed orders approving of the above recommendations, subject to modification in regard to No. (iv) above, as they considered it some what drastic and going against the underlying principle of the legislation that *the land should be saved to an agriculturist debtor.* At the same time, Government recognise that some protection should be given to the creditor to whom payment is postponed by ordering instalments and preventing an unscrupulous debtor from alienating his land so as to defeat the creditor's interest. Government consider that attachment and sale of agricultural land should be ordered only when default is made in the payment of two consecutive instalments.

Legislation has recently been undertaken to amend the Regulation on the lines stated above.

(*b*) The Agriculturists' Relief Committee of Mysore which reported early this year, has recommended a scheme of debt conciliation for that State. According to the scheme, debt conciliation boards are to be set up, in individual cases, by the civil courts of competent jurisdiction, on the application of a debtor or any one of his creditors. For the time being, they limit the cases to go before the boards to those in which the total amount of debt does not exceed Rs. 10,000. If all or any of the creditors come to an amicable settlement with the debtor, such settlement should be reduced to writing in the form of an agreement recording the amounts payable to the creditors and the manner in which and the times at which they are to be paid and the court shall pass a decree in terms of such agreement. If a debtor defaults in paying any amount fixed in the decree, it shall be recoverable as arrears of land revenue or, if necessary, through the process of the court. If any creditor does not agree to an amicable settlement, the board may, if it is satisfied that the debtor has made such creditor a fair offer which the creditor ought reasonably to have accepted, grant the debtor a certificate in such form as may be prescribed in respect of the debts owed by him to such creditor, provided that the creditors to whom not less than 40 per cent of the debts are owing have to come a settlement. In the event of a creditor filing a suit for the recovery of debts in respect of which a certificate shall have been granted, the court shall not allow the plaintiff any costs in such suit or any interest on the debt after the date of certification in excess of simple interest at 6 per cent per annum on the amount due on the date of such certificate.

Although conciliation is to be voluntary, the Committee have recommended that provision may be made in the Regulation to be enacted, whereby the Government may be enabled to extend the scheme, on a *compulsory* basis, in such areas in which they may consider such extension advisable or expedient.

64. Madras.

A private Bill has been introduced in the Madras Legislative Council with a view to provide for the establishment of Debt Conciliation Boards in the Presidency. The Bill is based on

the Central Provinces Debt Conciliation Act. Subsequently, the Madras Government appointed a Special Officer to make a detailed investigation of the problem of rural indebtedness and submit a report. The Special Officer has been conducting his investigations side by side with ourselves. The Bill, we understand, has since been referred to a Select Committee.

65. Cochin State.

In the Cochin State, the Economic Depression Relief Measures Committee reported in 1933 recommending *inter alia*, the desirability of passing emergent legislation temporarily to limit, both retrospectively and prospectively, the rates of interest on existing debts, secured and unsecured, owed by agriculturists. They have also recommended that the rate of interest should be limited with effect from the 1st Chingom 1107 and that the rate of interest on secured debts should be 7½ per cent. for amounts up to Rs. 1000 and 6 per cent. for amounts above Rs. 1,000, the rate of interest on unsecured debts being 9 per cent. for all amounts. In pursuance of the above recommendations, the Cochin Government have introduced a Bill in the Legislative Council to limit the rates of interest on loans.

The Government of Cochin have also announced a scheme to advance money to creditors for part of the debt due to them by the debtors and to assign to them bonds guaranteed by the Government for the balance of the debt, the money so advanced and the amount of the bonds being secured on the debtor's land. For the time being, the cash liability of the Government is limited to Rs. 5 lakhs and the amount of the bonds to be guaranteed by the Government to Rs. 15 lakhs. The scheme has further provided that the amount of cash paid by Government to any creditor will, in no circumstances, exceed 25 per cent of the total sum to be paid, the remaining 75 per cent being paid in bonds. Creditors can, should they so desire, receive more than 75 per cent of the sum in bonds.

The bonds issued will be redeemable within a period of 30 years and will be transferable. Interest will be paid at the rate of 5 per cent and will be guaranteed by Government. Debtors will pay to Government interest at the rate of 6 per cent

on sums advanced or bonds guaranteed by Government on their behalf. The difference between the rate of interest paid by the debtors and that paid by Government to the holders of the bonds will be used by Government for administering the loan. Interest and capital will be recovered from the debtors by the Government by means of equated payments spread over 30 years. These payments will be recoverable as if they were arrears of land revenue.

Quite recently, the Cochin Government announced their intention to organize Land Mortgage Credit on an adequate scale.

CHAPTER XI.

Concluding Remarks.

66. We are aware that the measures we have recommended may seem too drastic to some, while they might appear to be too halting or complicated to others. These defects are inherent to any scheme of relief affecting such vital interests as credit and property on a large scale. Nobody can deny that the problem of agricultural indebtedness is a long-standing one and incapable of easy solution. But we were impressed by the fact that, with the prices of our agricultural products so low, there is no near chance of the accumulated burden of debt now weighing heavily on the agricultural population being lifted and the debtors and creditors carrying on their normal occupations, unless the situation is delicately but courageously handled and remedies applied with due regard to the welfare of the country as a whole. Debts are of diverse kinds and their terms and conditions vary very widely even in the same place and between the same parties. Similarly, a marked distinction has to be drawn between transactions prior to the depression and those during the depression, with the additional complication of pre-depression debts dragging through the depression period and undergoing all sorts of accretions and transformations. The creditors themselves belong to different groups varying in sympathy, local and occupational bias, business outlook and obligations. It was, therefore, obvious that a single uniform measure would not be applicable. On the other hand, the only way of easing the situation was indicated by a simple process, the reduction of debt by scaling down capital or interest or both,—a method advocated by the Devadhar Committee here and others elsewhere. We have chosen an alternative which is consistent with current practice, viz., the settlement of claims by *mutual agreement* by means of Debt Conciliation Boards. These boards are elsewhere endowed with extensive powers, as obviously they have to explore all avenues to a settlement and secure the largest possible measure of agreement. According to our recommendations, their awards operate effectively only in case of *agreement* between parties. Where such agreement fails,

the ordinary process of law is still available and, in such cases, such discretionary powers, as the courts are now invested with, are detailed with a few amplifications of a purely temporary character. It will also be noted that, in both cases provision for part payment or speedy payment is insisted on, as our basic idea is the removal of the present dead-lock and the provision, as far as possible, of liquid funds for carrying on normal economic activities. Every care has, however, been taken to give all possible protection to the interests of creditors, while securing a reasonable measure of relief to the debtor class, as in the safeguards hedging round the freedom from arrest and imprisonment for debt, the reduction of interest or claim to instalment payment and the sale of property. In the case of debts secured by mortgage in any form, we have not given the full extent of the relief that the debtors have almost invariably claimed, consequent upon the fall in the prices of agricultural products, *i. e*, the diminution of his income and the deterioration in the value of land, which is the same thing as the increase in the money value of the debt. It will be conceded that in other forms of marketable security familiar to investors, the fall in the yield as reflected in the market value of the security redounds to the disadvantage of the holder of the security. Thus when the $3\frac{1}{2}$ per cent sterling stock which stood at about 60 in April 1931 fell to $43\frac{1}{2}$ by September 1931, it was only the holders of such stocks who lost. We have not, however, valued debts at their pre-depression values or in relation to the present price of land or commodities, but adopted a middle course, distributing the incidence of the fall equally between the creditor and the debtor.

67. Further, consistent with the maintenance of the capital value of the investment, a reduction in the rate of interest seemed to us to be the only relief possible. Taking into consideration the fall in the value of crops all over India and the unequal burdens on the consumer consequent on the disparity between the prices of primary products and finished goods, we have taken only a conservative estimate of the reduction possible in the rate of interest during the period of the depression. That other well conducted businesses have not been able to earn

more than half of the pre-depression earnings is borne out by the fact that the profits of Indian joint-stock companies which averaged Rs. 53 crores for the eight years ending March, 1930, fell below Rs. 29 crores in 1932-1933. Nor is there any need to apprehend the future effects of a lower regulated maximum in the rate of interest. The examples of conditions elsewhere will, we hope, give some reassurance to those who are afraid that, if the legal rates of interest are reduced, capital will migrate from the country. Within the four corners of the law, the nature and terms of individual transactions can and will vary now as they did before under a legal maximum of 12 per cent interest. The yield from investment is not the only concern of those with money to invest. Investments in land have had and will always have a special attraction to our countrymen, and even when the rate was legally fixed at 12 per cent, investments in land have been on the basis of 4 per cent or even less. We have, therefore, not been frightened by the idea that the reduction of interest rates would operate against the agricultural classes.

68. Throughout our deliberations, we have been deeply conscious of the great responsibility resting on us and have tried to visualise the situation as a whole. The impression that we have formed and is shared by almost everyone we have consulted is that the present situation is grave enough to require adequate remedies and that it would be unwise to leave the agriculturist to himself. We have, therefore, tried to devise measures to give relief to the indebted agriculturists without giving any reasonable ground for any feeling of alarm on the part of the credit agencies. Most of our suggestions are of temporary application, although they envisage the problem from all points of view, and we hope that they will be viewed in the same spirit of sympathy and consideration for the general well-being which we have kept before us. Where special treatment has been found necessary, we have not hesitated to make provision therefor.

69. Speaking of the temporary character of our proposasls, we may observe that, if cocoanut would rise to a minimum price of Rs. 4 a hundred and if there is a corresponding rise in the

prices of our other staple products of export, there would probably be no special debt problem and no occasion for any special measures.

K. George, (*Chairman*).
Kayyalam Parameswaran Pillai.
R. Nilakanta Pillai.
A. Gopala Menon.
*P. A. Abraham.
†M. K. Ananthasiva Iyer.
‡T. Kumara Pillai.

---

* With a supplementary note.
† Subject to a note of dissent.
‡ With a supplementary note sent subsequently.

Summary of Conclusions and Recommendations.

General.

I

1. *Definition of 'Agriculturist'.*—For the purpose of the relief of agricultural indebtedness, an 'Agriculturist' should mean a person—

(i) who both earns his livelihood mainly by agriculture, and is either a land-owner, or tenant of agricultural land, or a servant of a landowner or of a tenant of agricultural land, or

(ii) who earns his livelihood as a village menial paid in cash or kind for work connected with agriculture.

Explanation.—(i) An agriculturist should not lose his status merely because he does not cultivate his lands himself, but lives on rent or follows some other calling in life ;

(ii) If there is a debt conciliation board to adjudicate, its decision regarding the status of a person that he is an agriculturist, should, for all purposes of the debt conciliation board, be final.

(iii) If, at any time, the question arises before a court of law, it will decide the question for itself, but the decision of the lower court should be appealable ;

(iv) In the scope of the term 'Agriculturist' should not be included landholding corporations like temples, churches, mosques, joint-stock companies, etc. (Para 20)

2. *'Agricultural Debts'.*—'Agricultural Debts' should include all liabilities of an agriculturist debtor, in cash or in kind, secured or unsecured but should not include the following :—

(i) debts incurred for purposes of trade,

(ii) debts due to Government, or

(iii) debts due to co-operative societies or to co-operative banks registered under the Co-operative Societies Regulation, except so far as specially provided for in paragraph 44.

(iv) Rents due under lease transactions including *michavaram* and other annual dues payable to jenmis. (Para 21.)

3. *Need for Government intervention.*—It is the considered view of the Committee that, although agricultural indebtedness has always been existing, the continued economic depression of the last five years has considerably worsened the condition of the agriculturists and created a grave economic situation which can, as a whole, be dealt with only by Government and calls for Government intervention in order to adopt relief measures. (Para 22)

4. *Extent of agricultural indebtedness.*—The various estimates of the extent of agricultural indebtedness which have placed the total debt between 20 and 25 crores may be accepted tentatively for the purpose of these recommendations. (Para 23)

5. *Nature of relief called for.*—The real burden of agricultural debt has increased very much on account of accumulated interest and heavy fall in the value of agricultural produce and of agricultural land and hence the measure of relief should be substantial. (Para 24)

6. *Why the agriculturist requires relief in preference to others.*—Agriculture being the key industry and the basis of the wealth of the country and the agriculturist being very severely hit, his relief calls, on public grounds, for greater consideration at the hands of Government, than that of any other class of debtors. (Para 25)

7. *When the depression began.*—The steep fall in prices having begun in 1105, the depression may be considered to have started from the beginning of that year. (Para 26)

II

8. *Direct financing by the State not practicable.*—In the opinion of the Committee, no scheme is practicable in which the Government should finance debt relief directly, except to the extent and in the manner provided for in our recommendations in para 52, relating to the Land Mortgage Bank. (Para 28).

9. *Classification of debts.*—For purposes of relief measures, debts may be classified as—

(*a*) those prior to 1105, and

(*b*) those from 1105. (Para 29).

10. *Debt Conciliation Boards.*—In the case of all debts, secured as well as unsecured, relief should be made available by conciliation through Debt Conciliation Boards to be established by Government for that purpose, on the lines recommended below:—

(i) *Jurisdiction of the boards.*—Ordinarily there should be one board for each taluk. But there should be no objection, if circumstances require it, to one board being given jurisdiction over more taluks than one or to have more than one board for the same taluk. The board may be authorised to hold its sittings at convenient centres within its jurisdiction.

(ii) *Composition of the board.*—Every board should consist of a Chairman and two members, one of the three being, if possible, a Government officer. The members of the board should be nominated by Government. For ensuring the success of the scheme, it is essential that only men of high character and standing who possess local knowledge and influence and in whom the public have confidence should be nominated to the boards.

(iii) *Functions of the board.*—The board should be an adjudicating body and should settle the debts of the debtor, the amount of money to be paid by the debtor in discharge thereof and the manner of paying it. The board should make this settlement, *i. e.*, "conciliation" as between the debtor on the one hand and the creditor on the other; and if there are more

creditors, than one, the board should adjust their claims also *inter se*. In doing these, the board should take into consideration the following, *inter alia*, namely, the equities of the debt transactions concerned, the amount of debt, the amount of interest that has been paid, particularly after 1105, the amount of interest that has been allowed to accumulate, the duration of the transactions, the character of the debt, as *e. g.*, whether secured or unsecured, the ability of the debtor to pay, the availability of assets from which to pay, the need, occupation and other economic conditions of the creditor and the necessity for leaving, as far as possible, a margin for the debtor's subsistence.

(iv) *The lines of conciliation.*—The conciliation that the board should try to effect between the parties may be on such lines as the following, for example—

(*a*) A portion, say 25 per cent of the assets of the debtor should be left to him clear of all debts and the balance left to the creditor or creditors to be taken up by themselves either in property or in cash from the sale proceeds thereof, the manner of division etc., as among creditors, being also settled by the board, if there are more creditors than one;

(*b*) The debtor may be allowed to pay, either the entire debt or a reduced amount, in instalments spread over a number of years to be fixed by the board, the debtor giving security for the payment of instalments, the rate of interest also being fixed by the board. Provision should also be made by the board as to what should be done when any instalment is defaulted. For instance, the board may provide that if any instalment is defaulted, such instalment and its interest alone may be recovered or, that if three consecutive instalments are defaulted, the creditor will be entitled to realize the whole amount due.

(*c*) The debtor should pay the creditor or creditors in cash a lump sum in full settlement, the amount of such sum being fixed by the board having regard to the circumstances enumerated in (iii) above and to the amount which the debtor may raise by mortgaging his entire properties to the Land Mortgage Bank or to some such other recognized institution. The board may also fix the period within which this cash payment should be made.

(v) *Re-opening past transactions.*—If the board is satisfied that there are reasonable grounds to suspect inequity in any transaction, such as fraud, misrepresentation, undue influence, coercion, mistake of fact, etc., the board may go into the history of the transaction also and may, in view of such history, reduce or even disallow interest or even scale down the principal.

(vi) *Agreement before the board.*—If the parties appearing before the board agree to conciliation proposed by the board, the agreement should be reduced to writing and signed by the parties and, according as the board directs, be registered according to the law of registration or filed in the Munsiff's court having jurisdiction over the area in which the debtor ordinarily resides. In either case, the agreement should have the force of a decree passed by such court and should be liable to be put into execution, as if it were such a decree.

(vii) *Decision and certificate of the board where parties do not agree.*—Even if the parties do not agree, the board may draw up a decision or certificate describing briefly, but clearly, the attempts made to bring the parties to agreement and the various methods suggested to them, the attitude of each of the parties in respect of them, stating also what in the opinion of the board would be the most satisfactory manner of settling the debt and what amount, in the opinion of the board, would be a fair amount for the creditor to accept and the debtor to offer, if the debtor is prepared to pay forthwith in cash in full settlement of the debt. The board may record a like decision or certificate even as regards parties who have not taken part in the inquiry before the board, if the board is satisfied that it can come to a reasonable conclusion as to what would be a fair conciliation in the case of such parties also. The board may send such decision or certificate to the Munsiff's court having jurisdiction over the place where the debtor ordinarily resides for being filed there. Upon such a decision or certificate being filed or a copy of it being produced, it should be open to the creditor to apply to the court to call upon the debtor to deposit the amount certified by the board as fair cash payment, if the debtor has not already paid the amount to the creditor, and the court should order the deposit fixing a time for it and may

also grant such further extension of time as it deems fit to the debtor to deposit the amount in full.

(viii) *When the court should not allow costs and interest.* If, in respect of any debt covered by the decision or certificate of the board, the creditor files a suit, without applying to the court for the deposit of the amount settled by the board as a fair cash payment or without waiting for such time as has been allowed by the court for the deposit of the amount, he (the creditor) should not be entitled to any costs or to any interest till the date of the decree that may be passed, provided that if the debtor deposits in court for payment to the creditor on or before the date of the first hearing of the suit, the full amount fixed by the board as a fair amount for cash payment and the interest thereon at 6 per cent from the date of the board's decision.

(ix) *Where the court may take into consideration the decision of the board and the conduct of the parties.*—If any suit is filed in respect of a debt which is covered by the decision or certificate of a board and if it is a suit to which the aforesaid provision in (viii) above does not apply, the court may, in awarding costs and determining the rate of future interest (*i. e.*, from the date of suit), take into consideration the decision of the Board and the conduct of the parties in connection therewith.

(x) *The procedure of the board.*—The board's procedure should be on the lines laid down in the Punjab Relief of Indebtedness Act of 1934.

(xi) *Application for settlement between a debtor and his creditors.*—A debtor or any of his creditors may apply to the board appointed for the area in which a debtor resides, to effect a settlement between the debtor and his creditors.

(xii) *Particulars to be stated in application.*—(1) Every application presented by a debtor to a board should contain the following particulars, namely—

(*a*) the place where he resides ;

(*b*) the particulars of all claims against him together with the names and residences of his creditors ;

(*c*) the particulars of all his property, together with a specification of the value of such property and the place or place at which any such property is to be found ;

(*d*) a statement that he is unable to pay his debts or that he wants an amicable settlement of his debts with his creditors.

(2) Every application presented by a creditor should contain the following particulars, namely:-

(*a*) the place where the debtor resides ;

(*b*) the amount and particulars of his claim against such debtor ;

(*c*) a list of the properties of the debtor to the extent known to him ;

(*d*) a list of the other creditors of the debtor so far as known to him ;

(*e*) a statement that the debtor is unable to pay his debts or that he, the creditor, wants an amicable settlement of the debts due to him ;

(3) The applicant, whether debtor or creditor, should submit also copies of applications for being issued to those to whom notices are to be issued.

(xiii) *Notice calling upon creditors to submit statements of debts.*— If, in compliance with a notice issued by the board, a creditor does not furnish a statement of the debt due to him, his debt should be deemed to have been discharged.

Provided, that if a creditor proves to the satisfaction of the board or the court that the notice was not served on him and that he had no knowledge of its publication, the board or court may revive the debt.

(xiv) *Bar of civil suits.*—No civil court should entertain any suit :-

(*a*) to question the validity of any procedure by or the legality of any agreement made before a board, or

(*b*) to recover any amount recorded as due under an agreement made before a debt conciliation board, or

(*c*) to recover any debt which has been deemed to have been duly discharged as hereinbefore provided.

(xv) *Bar of appeal or revision.*—No appeal or application for revision should lie against any order passed by a board.

(xvi) *Appearance of party before board by agent or by legal practitioner.*—In any proceedings before a board, any party may be represented by an agent authorised in writing or by a legal practitioner.

(xvii) *Suits and decrees and conciliation boards.*

(*a*) When an application has been made to a board, no civil court should, except for special reasons to be recorded by it, entertain any suit or other proceedings brought for the recovery of any debt for the settlement of which application has been made to the board, and any suit or other proceedings pending before a civil court in respect of any such debt may be suspended until the board has dismissed the application or an agreement has been made.

(*b*) In the case of a suit for money pending trial or a decree for money pending execution in any court, the court may on the application of either the debtor or the creditor send the suit or decree to the conciliation board, if the court deems fit to do so, the trial or the execution, as the case may be, being stayed in the meantime, and if the parties come to an agreement before the board, the court should give effect to such agreement in the disposal of the suit or the execution of the decree.

(*c*) If suits pending trial or decrees pending execution in any court are sent to the debt conciliation board for consideration, and the board issues a decision or certificate, which either of the parties does not agree to, the court should take into consideration the board's decision or certificate and the conduct of the parties in connection therewith, in deciding who should pay costs and whether future interest should be allowed and if so, at what rate.

(xviii) *Extension of limitation.*—The time spent in proceedings before a conciliation board and time during which a person is debarred from suing or executing his decree, as hereinbefore provided, should be excluded when counting the period of limitation for any application, suit or appeal.

(xix) *The nature of the proceedings of the board.*—The proceedings of the board should be rapid and as free as possible from the intricacies and technicalities of ordinary civil court proceedings. (Para 34 *et seq.*)

11. *Special Debt Conciliation Boards.* —(i) Government may consider the possibility and advisability of nominating a trusted single officer, for debt conciliation purpose, in certain localities where such a course would be desirable. (Para 35).

(ii) For the Kuttanad agriculturists, a special debt conciliation board should be constituted with an official of the status of a Division Peishkar as President and two non-official gentlemen as members. (Para 36).

(iii) For the conciliation of the debts incurred by planters from the coastal firms, there should be a special debt conciliation board, with an official of the status of a Division Peishkar as President and two non-official gentlemen of status and experience as members, nominated by Government, in consultation with the interests concerned. (Para 36).

(iv) (*a*) Special debt conciliation boards should also be appointed in respect of co-operative societies, preferably on the recommendation of the Registrar.

It should be open to co-operative societies and their debtors or either of them to go to a special debt conciliation board and ask for a conciliation of the debts. The board should proceed as in the case of conciliation for ordinary debts and issue certificates as to what will be a reasonable arrangement for the adjustment of the debts. If the parties to be affected agree in conciliation, such agreement shall be reduced to writing and may be got filed before the Registrar, so that he may pass an award in pursuance of it. If the parties do not agree to the conciliation suggested by the board, it should be open to any of the parties to produce a copy of the board's decision or certificate to the Registrar who may pass an award in pursuance of it or may pass an award revising the terms of the board's decision or certificate. The award, in any case, should be executable, as awards of the Registrar.

(*b*) Irrespective of the conciliation by the board, it should not be lawful for any society to levy or recover any penalty (already accrued or hereafter accruing) for three years or for such further period as Government may fix. (Para 44).

12. *Rates of interest.* (*a*) Whenever a court has reason to believe that a debt transaction is of such a nature that it includes moneys debited on account of interest which is more than 12 per cent in the case of money loans or 20 per cent in the case of paddy loans, the court may reopen the transaction and settle the accounts afresh, allowing only the maximum interest allowed by the then law, that is, the law in force at the time when the interest was debited.

(*b*) In the case of debt transactions entered into before 1105, whether a decree be passed thereon or not, the interest payable thereon for the period from 1105 up to the date of any enactment passed for the purpose should be at one half of the rate of interest payable if the enactment had not been passed or at 4 per cent, whichever is larger, provided that payment of interest is made before such date as Government may fix from time to time. If the agreed rate is less than 4 per cent, such rate should prevail.

(*c*) As regards the interest due for periods after the date of the enactment, it should be competent to Government to revise the rate of interest from time to time. The Government should do this having regard to the commodity prices prevailing at the time and on a consideration of what would then be deemed to be a reasonable return on money investments.

(*d*) As regards amounts paid before the date of the enactment (or preferably the date of the introduction of the Bill for the purpose), it should be open to the creditor to appropriate them for interest at the contract rate or as the case may be, at the rate fixed in the decree.

(*e*) The interest allowable on transactions entered into by agriculturists from and after 1105 up to the date of any enactment that may be passed for the purpose or some other specified date, should in no case exceed 6 per cent, whether the

debt be secured or unsecured, if payment is made within three years from the date of the enactment, provided however, that in the case of banks which have been receiving deposits in the regular course of business and have been issuing loans, it should be in the discretion of the court to allow interest up to 9 per cent instead of 6 per cent.

(*f*) For a period of three years after the date of the enactment, the maximum rate of interest allowable in law should be 6 per cent in the case of secured debts and 9 per cent in the case of unsecured debts.

(*g*) Any provision in a document which is in substance a legally enforceable provision for compound interest, should be construed as allowing interest in the following manner only (and this should apply to future transactions also) namely, the debt should bear only simple interest, till the arrears of interest amount to 50 per cent of the principal and thereafter simple interest should be calculated on the total amount, that is, on the principal plus the *aravasi* interest till the interest on that total amounts to 50 per cent thereof and thereafter simple interest on such total amount and so on.

Illustration. A borrows Rs. 1000 with an enforceable contract for compound interest, with annual rests, at 12 per cent. Simple interest will be calculated on Rs. 1,000 until the total of principal and interest amounts to Rs. 1,500. Thereafter simple interest will be calculated on Rs. 1,500 until the interest reaches Rs. 750. Thereafter, simple interest will be calculated on Rs. 2,250 and so on. (Para 45)

13. *Recovery of decree debts in instalments.*—(i) In the execution of any decree for money (whenever passed), it should be competent to the court to order, having regard to the circumstances noted below, that the amount due should be recovered in such number of instalments spread over a period not exceeding twenty years on such terms as the court thinks fit to impose. And it should also be competent to the court, having regard to the said circumstances, to revise, from

time to time, the order once passed and (in revising) order that the amount already ordered to be recovered in instalments be recovered in a lump, or that the number of instalments already fixed be increased or decreased, or that the period of the instalments be varied, or that the terms imposed be varied and the like.

(ii) The circumstances referred to are the following :—

(*a*) the amount due under the decree ;

(*b*) the period for which the decree and the transaction which is the basis of the decree have been outstanding;

(*c*) that adequate security has already been given for the amount ;

(*d*) that the debtor has been making honest efforts to make repayments ;

(*e*) that the debtor has fraudulently executed any document in respect of his properties to defeat his creditors ;

(*f*) the need and other economic conditions of the decree holder ;

(*g*) that the creditor is prepared to accept in full settlement the amount that the debtor may reasonably raise from the Land Mortgage Bank or such other recognised institutions by hypothecating his properties.

(iii) The court should not order recovery by instalments unless the debtor is prepared forthwith to pay the first instalment and all the debtor's properties are placed under attachment or, if the debtor so elects, the debtor gives adequate security for the payment of all the instalments, provided that for reasons to be recorded in writing the court may grant time for payment of the first instalment.

Note.— The Committee is of opinion that the court should exercise this discretion ordinarily in favour of the agriculturist debtor.

(iv) Whenever any debtor makes any default in payment of any instalment the court should, except for reasons to be recorded in writing, order the recovery of only the instalment that

has been defaulted together with the interest due thereon and whenever three instalments are in default consecutively, the court should, except for reasons to be recorded in writing, order that all the instalments should be recovered in a lump (Para 46).

14. *Sales of property in court auctions.*—(*a*) In regard to sales of immovable property in execution of decrees, not being instalment decrees, the following rules should be observed for a period of three years, from the date of the new Regulation or for such further period as Government may fix, *viz.*, the property sought to be sold should be valued in the manner specified below and the sale of the property should be deemed to discharge the decree debt, to the extent of such value, it being of course open to the decree holder to purchase the property as in all execution sales.

(*b*) If the land fetches at the court sale an amount higher than the value fixed the debt should be discharged to the extent of that amount.

Note.—Property which is more than necessary to cover the debt should not be brought to sale.

(*c*) The principle to be adopted in valuing land for the above purpose should be to arrive at an average between the price immediately before the depression and the present price. The machinery and method for arriving at a value may be left to the courts or to be prescribed by rules framed by Government. Such rules may be uniform for the whole State or different for different places.

Illustration.—A land is estimated at Rs. 10,000 in value in 1104. It is estimated at Rs. 4,000 at the present time. The average *viz.*, Rs. 7,000 should be fixed as the value of the land. Such rules may be framed as would enable the above said result being arrived at, more or less. (Para 47)

15. *Mortgage with possession (Otti)*—(*a*) That in the case of Otti (or mortgage with possession) including Chittotti (or sub-mortgage), the mortgagee should not be entitled to sue for

the mortgage money or for the sale of the property, but he should have the right to sue for foreclosure of the property, as in British India, under the Transfer of Property Act.

(*b*) If there be already a decree for the sale of the property in a suit based on the mortgage, it should be competent to the court to convert it into one of foreclosure on the application of the mortgagor or the mortgagee.

(*c*) If a transaction which purports to be a usufructuary mortgage (Otti) is proved to have been intended to be only a hypothecation, such a transaction should be treated as a hypothecation with interest at 12 per cent per annum till 1105 and such rate of interest thereafter as are proposed by the Committee for loans taken by agriculturists, provided that payments already made should not be re-opened.

Illustrations.—(i) A, a money-lender lends Rs. 1,000 to B and takes a usufructuary mortgage of B's property and leases the property to B, so that possession is not changed in fact. A does this with a view to see that the interest on the amount advanced is not assessed to income tax. This transaction should be treated as a hypothecation with interest at 12 per cent per annum till 1105, etc.

(ii) A, a money-lender advances a loan of Rs. 1,000 to B, on the security of his property. A desires to get 24 per cent interest. He, therefore, takes a usufructuary mortgage of B's property yielding a *pattom* of Rs. 240 and leases it back to B for that *pattom*. This transaction should be treated as a hypothecation at 12 per cent till 1105, etc. (Para 48).

16. *Arrest and imprisonment of the debtor.*—(*a*) In respect of no future transactions, except in the following cases, should arrest and imprisonment of the debtor be permitted :—

(i) In all transactions with co-operative societies or co-operative banks ;

(ii) In all cases in which the debtor is found guilty of fraudulent conduct ;

(iii) In all cases where, in the view of the court, the debtor is able to pay but evades payment, this matter being left to the discretion of the court ;

(iv) In cases where a person borrows money on an express statement in writing that he is not an agriculturist.

(*b*) As regards past transactions, not being of the nature described in (i) to (iii) above, notice should be served on the debtor to show cause against arrest and if the debtor gives a declaration that he is not able, without time being allowed to pay, and gives a list of all his properties, with full particulars, and undertakes not to alienate his properties without orders from court, the warrant should not be issued or the debtor arrested, and, if it is proved that his statement is wrong or that he has alienated any of his properties against the declaration, he may be arrested. In regard to cases falling under clauses (i) to (iii), arrest should be allowed. (Para 49.)

17. *Chitties.*—(*a*) During the period of depression or for such period as Government may fix, no agriculturist should start a chitty or be permitted to subscribe to a chitty.

(*b*) Notwithstanding any contract that on the default of any one instalment of a chitty, the subscriber should pay all future instalments in a lump, it should not be competent to the foreman to recover such lump sum, but he may sue for the defaulted instalment with interest at agreed rate, not exceeding 12 per cent in any event, or

(*c*) In the alternative, he may sue for the lump sum, in which case, the court should pass a decree that all the instalments till the date of the decree should be paid with interest on each instalment from its respective date, and that for the future instalments, the subscriber defendant should pay them as each instalment falls due and if he makes default, such instalment alone with interest thereon may be recovered.

(*d*) Even if a decree had already been passed on a chitty bond for a lump sum, it should be competent to the court to convert it into a decree of the aforesaid kind, whether the chitty had terminated or not.

Illustration. —A foreman obtains a decree for a lump sum on a chitty bond. On the date of the decree, five instalments had been defaulted. The defendant applies on some date after

the tenth instalment to convert the decree. The court should convert the decree into a decree for the payment of the ten instalments in a lump, with interest on each instalment from its respective date and for the payment of the remaining instalments as each instalment falls due.

(*e*) The provisions regarding conciliation, instalment decree and the regulation of execution sales should apply to chitty debts and decrees obtained on chitty transactions (whether the amount be due to a foreman or to a prized subscriber) the amount of the chitty debt or the amount of the chitty decree, as the case may be, being treated to be that alone which has actually accrued due till that date, with interest thereon.

(*f*) The foreman and all the subscribers to every chitty transaction should be deemed to be agriculturists, if in respect of chitty debts, if either the foreman or any one of the subscribers is an agriculturist. (Para 50.)

18. *Paddy Loans.*-(i) The interest due on paddy loans outstanding on the date of the new Regulation should be deemed to be discharged by payment at one-half of the contract rate of interest or 6 per cent per annum, whichever is larger, if the payment is made within one year from the date of the new Regulation or such further period as Government may fix from time to time, provided that wherever the contract rate is less than 6 per cent, such contract rate should apply, as in the following illustrations :—

A owes B 6,000 paras of paddy as principal and 4,000 paras as interest, calculated at 12 per cent. If 2,000 paras of paddy is paid within the period fixed, it should be deemed to have fully discharged the entire interest of 4,000 paras.

If 1,000 paras of paddy is paid, it should be deemed to have discharged the interest for the period for which 2,000 paras is the interest.

(ii) In the alternative, the debtor may be allowed the option of discharging the debt in the following manner, that is to say, the amount of paddy outstanding as principal at the last settled transaction should be valued in money at the current market rate

prevailing on the date of such transaction and the same should be treated as a money loan, subject to the provisions regarding interest already proposed in respect of money loans.

(iii) All paddy loans made in the future, should be treated as money loans, calculated at the current market rate of paddy prevailing on the date of the loan and should bear interest as for money loans. (Para 51).

19. *Land Mortgage Bank.*

(i) *Suggestions for the Development of the Bank.*

(*a*) With its present restricted scope and inevitable delays, the Bank cannot afford to render adequate service in a general scheme of debt relief.

(*b*) The existing Bank should be made an effective instrument for liquidating debts, as conciliated by the debt conciliation boards. For this purpose, the Bank should be provided with adequate funds to meet the large demands that may be made on it, in consequence of the operation of the boards. The funds that would be required may be placed at the disposal of the Bank in cash as well as by issuing debentures. Debentures may also be issued to the creditors, to the extent of the conciliated amounts, provided the security offered by the debtor is adequate for the purpose.

(c) The debentures may bear interest at 4 per cent and a margin of an additional one per cent. may be provided in fixing the rate of interest to be paid by the debtors to meet establishment and other charges. The debenture bonds should be made negotiable and the interest thereon payable half-yearly, free of income tax.

(ii) *Other suggestions.*

(*a*) For a fixed period, say three years, preference should be given, in regard to advancing loans from the Land Mortgage Bank, to applications that are made on conciliation between debtors and creditors.

(*b*) In the case of loans advanced to liquidate conciliated debts, the present maximum of Rs. 5,000 may be waived.

(*c*) The Bank may be empowered to lend money for the repayment of all conciliated debts whether secured or unsecured.

(*d*) The maximum period of loans may be extended to 30 years, repayable in half yearly instalments.

(*e*) Loans may be advanced to the extent of 65 per cent of the present value of properties.

(*f*) Whenever any instalment is defaulted and the secured land has to be sold, it should be sold for the recovery of the defaulted instalment and interest alone, the land being subject, in the hands of the purchaser, to a charge for the payment of future instalments as they fall due.

(*g*) The present practice of valuing properties by taluk and pakuthy subordinates should be supplemented, wherever necessary, by the appointment of independent valuators.

(*h*) Branches of the Bank should be opened at Division headquarters and at as many important centres as Government may consider necessary.

(*i*) The Bank should be reconstituted on a statutory basis.

(*j*) It is advisable later on to convert the present Land Mortgage Bank which is a purely Government institution into a share-holders' bank of which the Government should hold 50 per cent of the shares.

(*k*) The Bank should be allowed the right to issue debentures under conditions specified and the interest on the debentures should be guaranteed by Government, free of income-tax.

(*l*) Government should have complete control over the management of the Bank. (Para 52).

20. *Agricultural Loans.*—While appreciating the lowering of the rate of interest and other concessions allowed by Government, the Committee recommend that the interest on all

outstanding loans should be similarly reduced and that greater liberality should be shown in fixing the period of repayment. (Para 53).

21. *Future financing of agriculture.*—For the future financing of agriculture, short-term loans should be made available, on the security of crops, through co-operative societies, from Government or through agricultural banks. (Para 54).

22. *Relief before the new Legislation.*—Even before legislation is embarked upon, Government should try to effect conciliation between debtors and creditors by offering inducement that the Land Mortgage Bank or Government will be prepared to advance money wherever a debtor and all his creditors are prepared to bring down the total debt to the amount that may reasonably be advanced upon the security of the immovable property that may be offered by the debtor. It seems desirable also to make a provision that for a period of three years, preference will be given to applications that are made, on conciliation between debtors andcreditors, for advances from the Land Mortgage Bank or Government. (Para 55).

23. *Temporary character of the provisions.*—All the proposals made, except those relating to (i) future policy regarding arrest and imprisonment of debtors, (ii) future method of dealing with paddy loans, (iii) reorganisation of the Land Mortgage Bank, and (iv) future financing of agriculture, are intended to be temporary and may be made to operate for a period of three years, Government reserving the right to extend the period from year to year. (Para 56).

BLANK PAGE

STATISTICAL APPENDIX.

1. The object of the enquiry was to collect data relating to the nature and extent of agricultural indebtedness in the State. The attempt was not to make an exhaustive investigation, as it was not practicable in the limited time at our disposal. On two previous occasions, estimates have been made of the total rural debt and these, as we have already pointed out, could be relied upon, for all practical purposes. The method we adopted was to issue a large number of schedules to debtors and creditors in the State to be voluntarily filled up and returned to the office. Out of the 2,20,000 schedules (1,50,000 for debtors and 70,000 for creditors) so distributed, about 38,000 of the former and 20,000 of the latter were returned to us duly filled up. Of these, only 35,756 debtors' schedules and 17,680 creditors' schedules were retained for tabulation, the rest being found either illegible or incomplete. Thus only a fraction of the agriculturist debtors and their creditors is comprised by the statistical enquiry. In a study of this kind, more reliable results can be obtained if data are collected at random from among as many sections of the rural population as possible. This essential condition of randomness does not seem to have been secured in the present returns. We would, in this connection, mention the fact that an impression seems to have gained ground among a certain class of debtors that Government contemplated taking over the debts of the Travancore agriculturists, for the purpose of liquidation and it seems likely that they are the majority of those who submitted returns. Many people who are indebted in very large amounts and a great many who owe small debts did not furnish any returns. It is also noteworthy that we did not get any returns at all from the banks, big money-lenders and other credit agencies.

2. The patterns of the schedules issued are given at the end of this Appendix. It will be seen that the information elicited is varied in character. However, only the more important and

relevant data have been tabulated in such a manner as to make the application of statistical methods possible and only the more obvious inferences have been drawn.

3. *Distribution of debtors according to their entire debts.*

The following table gives the distribution of 35,756 debtors according to the amount of their outstanding entire debts :—

Table 1.

Amount of debt.	No. of debtors.	Percentage of debtors to total.
Below Rs. 200 ...	6,304	17·63
Rs. 200— 400 ...	6,673	18·66
,, 400— 600 ...	4,749	13·28
,, 600— 800 ...	3,333	9·32
,, 800—1000 ...	2,417	6·76
,, 1000—1200 ...	1,968	5·50
,, 1200—1400 ...	1,417	3·96
,, 1400—1600 ...	1,218	3·41
,, 1600—1800 ...	888	2·48
,, 1800—2000 ...	775	2·17
,, 2000—2500 ...	1,420	3·97
,, 2500—3000 ...	979	2·74
,, 3000—3500 ...	688	1·92
,, 3500—4000 ...	481	1·35
,, 4000—4500 ...	408	1·14
,, 4500—5000 ...	318	·89
,, 5000—5500 ...	261	·73
,, 5500—6000 ...	196	·55
,, 6000 & above ...	1,263	3·54
Total ...	35,756	100·00

The distribution covers a wide range and it will be seen that in our returns the number of debtors owing smaller amounts of debt is comparatively larger than that of those owing bigger

amounts. For instance, more than 65 per cent of debtors are those whose entire debts are below Rs. 1000 and more than 83 per cent have debts below Rs. 2000. The debts of 95 per cent of debtors are below Rs. 5000. Only 3·5 per cent of debtors have debts above Rs. 6000. Above Rs. 6000, again, the number of debtors declines very rapidly, but the amounts of the entire debts of individual debtors of this group range up to Rs. 4 lakhs

4. *Average debt per debtor in each debt group.*

The total debt of 35,756 debtors amounts to Rs. 5·18 crores, the average debt per debtor being Rs. 1450.* This average may be higher than the true average for the State, since a proportionately large number of small debtors have failed to return schedules. The total for the group with debts of Rs. 6000 and above is Rs. 1·7 crores and the average per debtor is Rs. 14,134. The following table shows the average debt per debtor for specified groups of debtors, classified according to their entire debt :—

Table 2.

Amount of debt.	Average debt.	Percentage of debtors.
Below Rs. 1000 ...	405	65.65
Rs. 1000—2000 ...	1,407	17·52
,, 2000—6000 ...	3,298	13·29
,, 6000 & above ...	14,134	3·54

* The *per capita* debt given in the Census Report and the Banking Enquiry Committee Report refers to either the whole State population or to the whole agricultural population. Here the debt is *per debtor, among agriculturist debtors only.*

The averages for the three higher groups, in the above table, cannot be very much different from the corresponding averages for the same groups of all debtors in the State.

5. *Average number and value of transactions per debtor.*

The table given below shows the total number of debt transactions corresponding to each debt group, the average number of debt transactions per debtor in each group and the average amount of the transactions corresponding to each group :—

Table 3

Amount of debt.	No. of transactions.	Average No. of transactions per debtor.	Average value of transactions.
			Rs.
Below Rs. 200	10,633	1·7	59
Rs. 200 — 400...	1 ,258	2·3	131
,, 400 — 600 ...	13,661	2·9	174
,, 600 — 800...	10,838	3·5	215
,, 800 —1000 ..	8,995	3·7	242
,, 1000 —1200...	8,004	4 0	270
,, 1200 —1400...	5,845	4·1	315
,, 1400 — 1600...	5,370	4·4	340
,, 1600—1800 .	4,194	4·7	360
,, 1800 - 2000	3,774	4·9	390
,, 2000— 6000...	28,084	6·1	562
,, 6000 & above..	12,377	9·9	1442
All debtors ...	1,27,033	3·5	409

The table shows that the debtors in the larger debt groups borrow more often and in bigger amounts than the debtors in the smaller debt groups. In other words, the agriculturists with

large debts have incurred debts more frequently and in bigger amounts than the debtors with small debts. It will be seen later that they are richer also on the average.

6. *Distribution of debtors and the total debt in the various debt groups.*

The table given below shows what percentage of all debtors owes debts below specified amounts and also what percentage of the total debt of all debtors is owed by them: —

Table 4.

Amount of debt. Rs.	Percentage of debtors.	Percentage of debt.
Below 200 ...	17·6	1·2
,, 400 ...	36·3	5·1
,, 600 ...	49·6	9·7
,, 800 ...	58·9	14·2
,, 1000 ...	65·7	18·4
,, 1200 ...	71·2	22·6
,, 1400 ...	75·1	26·2
,, 1600 ...	78·5	29·7
,, 1800 ...	81·0	32·6
,, 2000 ...	83·2	35·4
,, 2500 ...	87·1	41·5
,, 3000 ...	89·9	46·7
,, 3500 ...	91·8	51·0
,, 4000 ...	93·2	54·5
,, 4500 ...	94·3	57·8
,, 5000 ...	95·2	60·7
,, 5500 ...	96·0	63·3
,, 6000 ...	96·5	65·6
Above 6000 ...	3·5	34·4
All debtors. ...	100·0	100·0

The figures tell their own tale. For instance, debtors whose entire debt, per head, is below Rs. 2000 form more than 83 per cent of all debtors, but they owe amongst themselves only

35·4 per cent of the total debt of all debtors. Similarly 96·5 per cent of all debtors have debts below Rs. 6000 per head, but owe, on the aggregate, only 65·6 per cent of the total debt of all debtors. Again 3·5 per cent of all debtors, having debts above Rs. 6000 per head, owe 34·4 per cent of the total debt of all debtors.

An examination of the figures also reveals that about 50 per cent. of the total debt is owed by 10 per cent. of all the debtors. In other words, the bulk of the total debt has been incurred by a comparatively few debtors, while the great majority of debtors are indebted in smaller amounts.

But this, by itself, may not give a true indication of the real burden of debt. A debtor with a debt of only Rs. 500, for instance, may feel the burden more heavily than another with a debt of Rs. 6000. The real burden of the debt can be estimated only by a consideration of other relevant circumstances also, such as the debtor's assets, ability to pay and the facility to command credit.

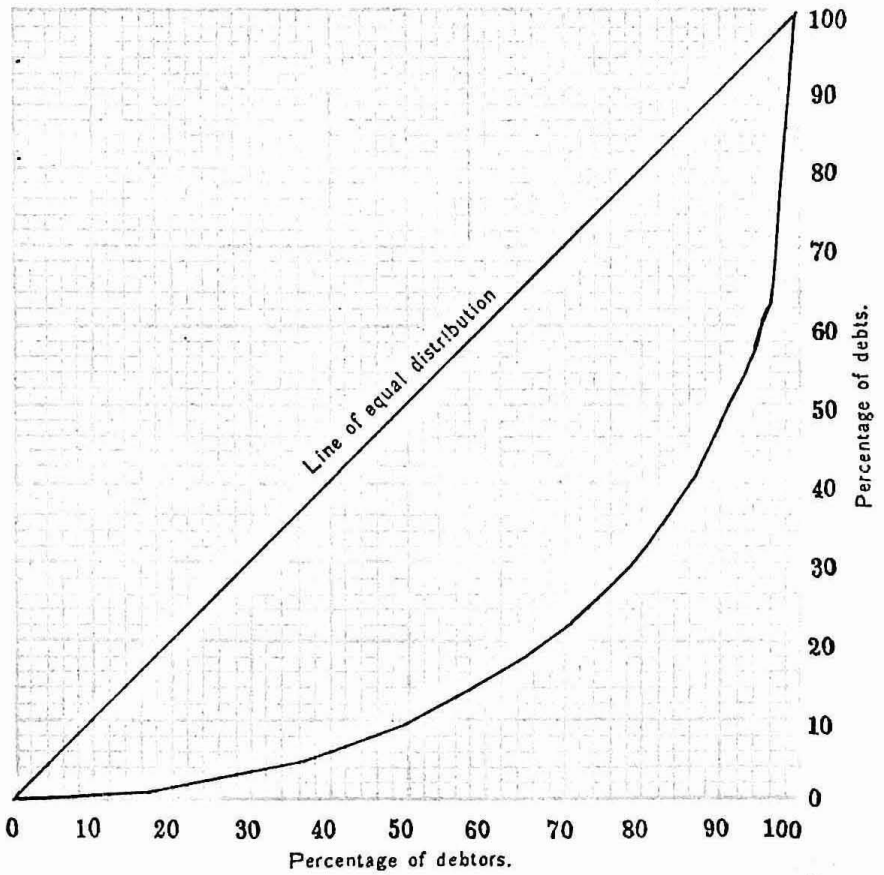
The above table, however, brings out clearly the unequal distribution of debt among the various sections of the debtors. The accompanying diagram illustrates this feature better still. If debts were equally distributed among the debtors, the distribution would be represented by a straight line. But actually, the curve bends away from the line of equal distribution. The more the debt is unequally distributed, the more it bends off the line of equal distribution.

17. *The relation between debt and credit.*

In investigations of rural debts, attention is very often confined to estimating the gross debt. The fact that many debtors are also creditors is not usually taken into consideration. In the present enquiry, it has been found that out of 35,756 debtors, 7,022 are creditors as well. The proportion is nearly 20 per cent.

The total debt of 7,022 persons who are also creditors is about Rs. 1·26 crores. This is 24 per cent of the total debt of

Diagram showing distribution of debts and debtors.



LITHO, THE ART PRINTING WORKS, TRIVANDRUM.

all the 35,756 debtors which is Rs. 5·18 crores. This class of debtors, though they form only 20 per cent of all debtors, have incurred 24 per cent of the total debt of all debtors. It follows that they are, on the average, more indebted than the general class of debtors. This is apparently paradoxical, but may be explained by the fact that debtors who are also creditors can command better credit or have better facilities for borrowing. This fact will be better elucidated later on.

On the other hand, the total amount due to them from other debtors is about Rs. 1·07 crores which is considerably less than their total debt *viz.*, Rs. 1·26 crores. If we subtract the amount due to them from the total debt of all debtors, we should get the net debt. It is found that, on this basis, the net debt is 79 per cent of the gross debt. In the case of the group of debtors who are also creditors, the net debt is 15 per cent of their total debt. In estimating the funds necessary to liquidate the existing debts, this aspect of the problem is significant. The general average net debt is likely to be lower rather than higher, because the better class of creditors (those who owe considerably less than what is owed to them) could not have filled up the returns. It may, therefore, be assumed that about a third or 35 per cent. of the debts are mutually set off.

8. *Character of debt.*

We will now consider the character of the various debt transactions which, on the whole, make up the total debt of all debtors. For this purpose, debts are classified according as they are mortgage, hypothecation, chitty or unsecured transactions.

Of 35,756 debtors, 32·4 per cent have mortgage debts, 63·4 per cent have hypothecation debts, 30·7 per cent have chitty debts and 49.7 per cent have unsecured debts. It may be observed that the same debtor can have debts of one or more kinds. Only 2,519 debtors or 7 per cent of the total number of debtors have unsecured debts without secured debts. Of all debtors, 93 per cent have secured debts of one kind or more.

The following table shows, with respect to each debt group, the proportion of debtors having debts of the specified kind.

Table 5.

Amount of debt. Rs.	Proportion of debtors having:			
	Mortgage debt.	Hypothecation debt.	Chitty debt.	Unsecured debt.
Below 200 ...	21·1	54·7	17·0	36·4
200— 400 ...	27·1	59·3	25·2	41·2
400— 600 ...	31·2	63·1	30·6	45·6
600— 800 ...	32·2	65·2	32·6	48·7
800—1000 ...	34·3	66·5	35·3	56·6
1000—1200 ...	36·6	63·8	35·6	54·4
1200—1400 ...	37·1	67·3	37·6	57·9
1400—1600 ...	37·4	69·5	40·2	58·2
1600—1800 ...	42·6	68·5	38·5	62·6
1800—2000 ...	39·1	71·2	39·2	59·4
2000—6000 ...	43·8	70·6	40·1	63·8
6000 and above ...	47·3	73·4	44·1	73·1
All debtors ...	32·4	63·4	30·7	49·7

The figures show that the proportion of debtors having debts of any specified kind increases as the debt groups become larger and larger. This compels the inference that if the amount of the entire debt of a debtor increases, he would have several kinds of debt transactions to his account.

9. The next table shows the proportion of the amount of each kind of debt to the total debt of each debt group.

Table 6.

Amount of debt.	Proportion to total debt of :			
	Mortgages	Hypothecations.	Chitty debts.	Unsecured debts.
Rs.	%	%	%	
Below 1000 ...	22	42	17	19
1000—2000 ...	24	41	17	18
2000—6000 ...	26	40	16	18
6000 & above ...	22	36	17	25
All debtors ...	23	40	17	20

From the above figures, it may be observed that whatever be the debt group, the proportion of the amount of each kind of debt to the total debt of all debtors in that group remains, more or less, constant. Up to Rs. 1000 to Rs. 2000 the more general tendency is to secure debts by hypothecation and from Rs. 2,000 to Rs. 6,000, an increasing tendency is shown for debts to be secured by mortgages. For the group, in which the total debt per debtor is Rs. 6,000 and above, there is an appreciable tendency to obtain unsecured loans. It is obvious that this group includes the richest persons who may more easily incur debts without having to offer security.

But the most noteworthy tale that the above table tells is that by far the greater portion of the total debt of all debtors is composed of mortgage, hypothecation and chitty debts. (Chitty debts are for the most part also secured debts). In other words, 80 per cent of the total rural debts are secured on land.

It would also be instructive to note that according to the Census of 1931, 70 per cent of the total debt was secured and

30 per cent unsecured, the present corresponding percentages being 80 and 20 respectively. This difference points to the increasing severity of the economic depression, as a result of which the lenders are more and more unwilling to advance unsecured loans and previously existing unsecured loans have been subsequently secured on land.

10. *Proportion of the amount of specified kinds of debt to the entire debt per debtor.*

With regard to the character of debts, we have now seen (i) that as the total debt per debtor increases, from group to group, the proportion of debtors having any specified kind of debt also increases (*vide* Table 5 above) and (ii) that the proportion of the amount of any kind of debt to the total debt of all debtors in any debt group remains, more or less, constant (*vide* Table 6 above). The following table shows the proportion of the entire debt of any one kind owed by a debtor to the total amount of all kinds of debts owed by him :—

Table 7.

Amount of entire debt.	Proportion of any kind of debt to the total debt of debtors owing debts of the kind.			
	Mortgage	Hypothecation	Chitty	Unsecured.
Rs.	Per cent.	Per cent.	Per cent.	Per cent.
- 200 ...	...	...	...	...
200- 400 ...	73·6	75·1	65·6	50·4
400- 600 ...	67·6	69·9	55·6	60·7
600- 800 ...	67·7	66·8	53·2	35·6
800-1,000	64·5	63·0	50·3	32·8
1,000-1,200 ...	64·2	62·1	49·7	34·1
1,200-1,400 ...	61·5	62·3	45·9	32·9
1,400 1,600 ...	60·8	58·6	44·9	30·4
1,600-1,800 ...	57·9	57·6	43·1	30·3
1,800-2,000 ...	59·8	59·3	44·9	27·1
2,000-6,000 ...	57·6	55·1	40·4	28·0
6,000 and above ...	60·8	57·6	47·4	41·2
All debtors ...	61·0	59·4	46·9	35·6

It will be seen that the proportion, generally decreases, as the entire debt of each debt group increases. This is because

where a debtor's entire debt is a comparatively small amount, he will seldom have other debts of other kinds and so the percentage of the kind of debt he owes to his entire debt will be high : it may even be cent per cent. Hence the group up to Rs. 200 is left blank. (The percentage under each kind of debt in that group will practically be 100·0). But in the larger debt groups, each debtor will have transactions of the various kinds of debts and so the proportion of the amount of his debt of any particular kind to his entire debt will become correspondingly smaller. In other words, the larger the entire debt of a debtor, the more varied in character are his debt transactions. This inference has already been brought out by the examination of another table also. (*Vide* Table 5 above).

11. *The proportion of the number of secured and unsecured transactions respectively to the total number of transactions in the various debt groups.*

In Table 6, we have seen that the proportion of the *amount* of secured and unsecured debts respectively to the *total amount of debt* of any debt group is, more or less, constant. The following table shows that this is true also of the proportion of the *number* of secured and unsecured transactions respectively to the *total number* of debt transactions of any debt group :—

Table 8.

Amount of debt.	Percentage of transactions.	
	Secured.	Unsecured.
Rs.	Per cent.	Per cent.
-200 ...	66·1	33·9
200-400 ...	69·3	30·7
400-600 ...	69·0	31·0
600-800 ..	69·2	30·8
800-1,000 ...	67·9	32·1
1,000-1,200 ..	68·0	32·0
1,200-1,400 ..	68·7	31·3
1,400-1,600 ...	66·7	33·3
1,600-1,800 ...	67·2	32·8
1,800-2,000 ...	69·1	30·9
2.000-6,000 ...	67·0	33·0
6.000 and above ...	61·4	38·6
All debtors ...	67·4	32·6

It will be observed that generally the proportions of the number of secured and unsecured transactions respectively to the total number of debt transactions are 67 per cent and 33 per cent respectively.

The above two tables examined together show a constancy of relation between secured and unsecured debts in all debt groups. This constancy is evidently based on the fact that there is a definite limit to which the economic conditions of a person would permit him to incur secured debts or unsecured debts. This limit is determined by the extent of his land on the one hand and that of his general credit on the other.

12. *The average debt of each kind, per debtor, in each group.*

Table 9.

Amount of debt.	Average debt per debtor			
	Mortgage	Hypothecation	Chitty	Unsecured.
Rs.	Rs.	Rs.	Rs.	Rs.
200-400 ...	221	230	197	151
400-600 ...	338	349	291	204
600-800 ...	474	467	373	249
800-1,000 ...	588	567	453	303
1,000-1,200 ...	706	683	547	376
1,200-1,400 ...	821	811	596	427
1,400-1,600 ...	912	880	674	457
1,600-1,800 ...	985	979	732	518
1,800-2,000 ...	1,132	1,128	853	516
2,000-6,000 ...	1,958	1,824	1,328	937
6,000 and above ...	6,245	6,352	5,795	4,469
All debtors ...	1,026	873	781	596

The above table shows the average debt of each kind per debtor, for the various debt groups. It is seen that the average debt of each kind increases steadily, as the debt group becomes larger and larger.

13. Let us now compare the figures now obtained for the average debt, per debtor, under the various kinds of debt transactions with the corresponding Census figures.

Table 10.

Kind of debt.	Present average	Census average
	Rs.	Rs.
Mortgage ...	1,026	605
Hypothecation ...	873	477
Chitty ...	781	...
Unsecured debts ...	596	194

Allowing for the paucity of the returns available for this analysis, we still find that in respect of all kinds of debt transactions the averages have considerably increased. This clearly shows that the economic depression has increased the average indebtedness of the rural population,

14. *The distribution of debtors according to the amount of their debts of the various kinds.*

The following table shows the distribution of debtors according to the amount of their debts, of the various specified kinds:—

Table 11,

Amount of specified debt.	Proportion of debtors owing debts of the kind.			
	Mortgages	Hypothecation.	Chitty	Unsecured
Rs.	Per cent.	Per cent.	Per cent.	Per cent.
Below 200 ...	25·25	30·43	29·24	51·41
200- 400	20·60	24·46	22·23	19·06
400- 600 ...	13·26	13·36	13·41	9·29
600- 800 ...	8·80	8·43	8·48	5·01
800-1,000 ...	5·66	5·61	5·21	3·00
1,000-1,200 ...	4·60	3·85	3·91	2·58
1,200-1,400 ...	3·68	2·46	2·90	1·71
1,400-1,600 ...	2·74	2·08	2·36	1·21
1,600-1,800 ...	1·83	1·33	1·80	·90
1,800-2,000 ...	1·48	1·04	1·42	·75
2,000-6,000 ...	10·00	5·51	7·40	3·87
6,000 and above ...	2·10	1·44	1·64	1·21
All debtors ...	100·00	100·00	100·00	100·00

An examination of the above table shows that in the case o persons owing unsecured debts, more than 50 per cent have incur red debts below Rs. 200, and 5 per cent above Rs. 2,000, whereas, in the case of persons owing secured debts, only 25 to 30 per cent have secured debts below Rs. 200 and 7 to 12 per cent above Rs. 2,000.

We also see that among debtors having debts of the various kinds, the great majority are, in all cases, those who owe small debts below Rs. 200. But when we compare secured and unsecured debts, we find that the proportion of debtors owing unsecured debts below Rs. 200 is very considerably higher than the proportion of persons owing secured debts below Rs. 200.

15. The incidence of debts.

We shall now examine the distribution of debt, with reference to the economic condition of the debtors. For this purpose, debtors are classified according to

(1) the land tax paid ;
(2) the income from land ;
(3) the income from all sources ;
(4) the extent of wet land owned ; and
(5) the extent of total land owned.

The following table shows the distribution of debtors in each debt group according to the amount of land tax paid by them :—

Table 12.

Amount of debt.	Proportion of debtors paying land tax.		
	Below Rs. 5.	Rs 5 —50	Above Rs. 50.
Rs.	per cent	per cent.	per cent.
Below 200 ...	83·1	16·7	·2
200— 400 ...	73·0	26·6	·4
400— 600 ...	61·7	37·4	·9
600— 800 ...	53·7	45·3	1·0
800—1000 ...	46·0	52·5	1·5
1000—2000 ...	33·0	63·9	3·1
2000—6000 ...	14·0	74·3	11·7
6000 & above ...	4·1	73·2	22·7
All debtors ...	52·0	43·8	4·2

The above figures show that the great majority of those who owe the smaller debts are those who pay a land tax of less than Rs. 5 and the majority of those who owe big debts are those who pay land tax above Rs. 5. As the amount of debt increases the proportion of the small taxpayers decreases and that of the big tax-payers increases.

16. The following table further illustrates the relation between debt and land tax:—

Table 13.

Tax.	All debtors.	Persons having debts of amount:—		
		Below Rs. 1000.	Rs. 1000 to 2000.	Above Rs. 2000.
Below Re. 1	13·10	19·04	3·06	·86
,, Rs. 2	26·57	37·17	10·19	3·16
,, ,, 3	37·07	50·42	17·92	6·03
,, ,, 4	45·29	60·27	25·21	9·03
,, ,, 5	51·97	67·70	32·87	11·90
,, ,, 10	71.78	85·97	60·89	29·15
,, ,, 15	81·26	92·78	75·73	43·28
,, ,, 20	86·33	95·74	83·84	53·21
,, ,, 30	91·82	98·72	91·63	67·73
,, ,, 40	94·31	99·04	95·00	75·68
,, ,, 50	95·78	99·36	96·87	81·14
All debtors	100·00	100·00	100·00	100·00

The figures show that among all debtors, 52 per cent are those who pay less than Rs. 5 by way of land tax, while among the debtors having debts above Rs 2000, only 12 per cent pay less than Rs. 5 as land tax. As the amount of the debt increases, the proportion of those who pay larger amounts of land tax also increases.

17. *Burden of debt in relation to land tax.*

Table 14.

Tax. Rs.	Average debt. Rs.	Debt's multiple of tax.
Below 1	367	734
1— 2	529	353
2— 3	684	274
3— 4	747	208
4— 5	824	193
5—10	1,152	160
10—15	1,589	127
15- 20	1,960	112
20—30	2,615	105
30—40	3,316	95
40—50	4,210	94
50 and above ...	7,200	64
All debtors ...	1,460	118

The above table gives the average debt of persons paying land tax within specified limits and the corresponding burden of debt. It is seen that as the tax increases, the average debt of debtors paying the tax also increases. This agrees with Darling's dictum that debt follows credit. But we also note that as the tax paid increases, the burden of debt decreases.

Considering agriculturist debtors, in general, it is found that debt's multiple of land tax is 118. Generally, in expressing the burden of debt of a community, the tax paid by all persons including those who have no debts is taken into consideration. But we have considered only that of the debtors. Our figures are, therefore, not comparable with the figures ordinarily given in similar reports, although these afford a better index of the pressure of the debt on the ability of the debtor to repay the loan.

18. *The burden of debt on the general body of debtors.*

In the previous paragraph, we saw that as the tax paid increases, the average debt also increases, but the burden of debt steadily decreases. But this should not allow us to jump to the conclusion that when the debt of any person, or section of a community or a whole community increases the burden of such debt would decrease. For, if we consider particular groups of debtors having specified amounts of debts, such groups will invariably consist of debtors paying varying tax amounts, small and large. That is, in every such group, there will be rich people as well as poor people owing the same average debt. Thus when we consider either particular sections of a community or a whole community composed of debtors of varying economic conditions, as the amount of debt increases, the weight of it either on the sections of the community or on the whole community also will be found to increase. This fact is illustrated by the following table wherein we find that as debt increases the burden of it on the debtors in relation to the land tax paid by them also increases.

Table 15.

Debt Rs.	Average tax. Rs.	Debt's multiple of tax.
Below 200	3·2	31
200— 400	4·7	63
400— 600	6·6	76
600— 800	7·8	90
800—1000	9·5	95
1000—1200	10·8	102
1200—1400	12·1	107
1400—1600	14·1	106
1600—1800	13·7	124
1800—2000	15·8	120
2000—6000	26·4	125
6000 and above	77·6	182
All debtors	12·4	118

19. *Distribution of debtors according to income*

Now we shall consider the distribution of debtors according to their income. In the following table, such distribution is considered according to income from land.

Table 16.

Amount of income from land.	All debtors.	Debts below Rs. 1000.	Debts Rs. 1000 to 2000.	Debts above Rs. 2000.
Below Rs. 50 ...	48·69	64·03	29·08	12·33
Rs. 50-100 ...	22·34	22·30	28·74	15·97
„ 100-150 ...	10·37	7·40	17·06	14·45
„ 150-200 ...	5·67	3·07	9·82	10·97
„ 200-250 ...	3·80	1·45	5·62	10·61
„ 250-300 ...	1·99	·64	3·27	5·62
„ 300-350 ...	1·86	·53	2·26	6·34
„ 350-400 ...	·91	·15	1·06	3·57
„ 400-450 ...	·75	·12	·77	3·06
„ 450-500 ...	·37	·07	·36	1·48
„ 500 and above .	3·25	·24	1·96	15·60
All debtors ...	100·00	100·00	100·00	100·00

The table shows that in the case of all debtors, the income from land of 49 per cent is less than Rs. 50. The income from land of more than 70 per cent is less Rs. 100. But of those who have debts below Rs. 1,000, more than 86 per cent have incomes from land below Rs. 100, while of those having debts above Rs. 2,000, only 28 per cent have incomes from land below Rs. 100. Further, it may be noted that of those who have debts below Rs. 1,000, only ·24 per cent have incomes from land above Rs. 500, while of those having debts above Rs. 2,000, more than 15 per cent have incomes from land above Rs. 500. This group of returns received is obviously inadequate.

In any case, there is a close relation between income from land and debt. Debtors having larger incomes have, on the average, larger debts also. This tendency is further illustrated by the following table which shows the distribution of debtors according to their total income from all sources:—

Table 17.

Amount of total income.	All debtors.	Below Rs. 1000.	Rs. 1000 to 2000.	Above Rs. 2000.
Below Rs. 50 ...	39·80	54·19	18·32	6·99
Rs. 50-100 ...	24·39	26·56	28·32	12·05
,, 100-150 ...	11·96	9·47	19·29	13 94
,, 150-200 ...	6·90	4·54	11·83	10·82
,, 200-250 ...	4·58	2·26	7·37	10 57
,, 250-300 ...	2·77	1·08	4·83	7·09
,, 300-350 ...	2·29	·77	3 13	7·22
,, 350-400 ...	1·40	·35	1·93	4·85
,, 400-450 ...	1·01	·19	1·32	3·81
,, 450-500 ...	·63	·13	·76	2·42
,, 500 and above .	4·27	·46	2·90	20·42
All debtors ...	100·00	100·00	100·00	100·00

20. *Average income of debtors.*

The following table shows the average income from land and from all sources of debtors grouped according to their entire debt:—

Table 18.

Amount of debt.	Average yearly income.	
	From land only.	From all sources.
	Rs.	Rs.
Below Rs. 200 ...	39	46
Rs. 200-400 ...	49	55
,, 400-600 ...	58	78
,, 600-800 ...	65	94
,, 800-1000 ...	87	108
,, 1000-1200 ...	99	128
,, 1200-1400 ...	114	143
,, 1400-1600 ...	122	159
,, 1600-1800 ...	136	165
,, 1800-2000 ...	154	179
,, 2000-6000 ...	226	277
,, 6000 and above ...	674	800
All debtors ...	114	137

This table further illustrates the close relation between debt and income already observed It also shows that the average income from land is not very much increased by income from other sources. Considering all debtors, the average income from land is Rs. 114 which becomes only Rs. 137 when incomes from all other sources are added to it.

21. *Burden of debt in terms of income.*

When we examine the burden of debt in terms of income, it is found that the total debt of all debtors is 12·5 times the income from their lands and 10 times their income from all sources. It is obvious that no scheme of repayment of debts in general can save the property of the debtors, unless it provides at least 20 to 25 years, on the assumption that one-half of the annual income will be available for the amortization of debt.

22 *Relation between debt and extent of land owned.*

It may be observed here that out of 35,756 debtors, only 20,692 persons gave particulars of wet land and 34,083, of land of all kinds. It is also doubtful whether lands which have been mortgaged with possession by each debtor have been included. This factor has to be borne in mind when we compare the debt per acre of land with similar figures in other reports.

23. The following table shows the distribution of debtors according to the extent of land owned by them—

Table 19.

Extent of land.	Percentage of debtors having wet land.	Percentage of debtors having land of any kind.
Below 1 acre ...	38·43	16 00
1-2 acres ...	24 19	17·87
2-3 ,, ...	12·23	13·86
3-4 ,, ...	6·81	10·07
4-5 ,, ...	4·32	7·19
5-10 ,, ...	8·38	18·17
10-15 ,, ...	2·63	7·02
15-20 ,, ...	·95	3·20
20-30 ,, ...	·94	2·87
30-40 ,, ...	·39	1·30
40 50 ,, ...	·20	·77
50 and above ...	·54	1·68
All debtors ...	100·00	100·00

From the above table, we find that 38 per cent of the debtors owning wet land, own less than one acre of wet land while 86 per cent own less than 5 acres. When we consider debtors owning land of any kind, we find that 16 per cent own less than 1 acre of land and 65 per cent less than 5 acres. The great majority of debtors possess only small plots of land.

24. *Distribution of debtors in relation to extent of land and debt.*

Table 20.

Extent of land. Acres.	Percentage of debtors having debts:			All debtors.
	Below Rs. 1000.	Rs. 1000 to 2000.	Above Rs. 2000.	
Below 1 ...	91·2	6·3	2·5	100
1-2 ..	84·2	11·1	4·7	100
2-3 ...	76·4	17·0	6·6	100
3-4 ...	70·0	19·5	10·5	100
4-5 ...	61·5	23·9	14·6	100
5-10 ...	52·0	25·6	22·4	100
10-15 ...	36·4	28·3	35·3	100
15-20 ...	25·4	25·0	49·6	100
20-30 ...	18·8	22·9	58·3	100
30-40 ...	13·8	15·8	70·4	100
40-50 ...	15·3	18·3	66·4	100
Above 50 ...	7·8	9·2	83·0	100

The above table shows that of the debtors owning less than 1 acre of land, 91·2 per cent have debts below Rs. 1000 while of the debtors owning more than 50 acres, only 7·8 per cent have debts below Rs. 1000. As the extent of land increases the proportion of debtors having debts below Rs. 1000 decreases; while the proportion of debtors having debts above Rs. 2000 increases. In other words, the larger the extent of land, the larger the proportion of persons having larger debts.

25. *The relation between the average extent of land and average debt.*

The two following tables show the relation between the extent of land and debt from two stand points. The first gives the average extent of land owned by debtors having specified amounts of debt and the second the average entire debt of debtors owing land of specified extents.

Table 21.

Amount of debt.	Area of wet land per debtor (who owns wet land).		Area of land per debtor who owns land.	
Rs.	Acres.	Cents.	Acres.	Cents.
Below 200 ...	1	23	2	52
200-400 ...	1	60	3	30
400-600 ...	1	75	4	17
600-800 ...	1	98	5	12
800-1000 ...	2	51	6	28
1000-1200 ...	2	55	7	84
1200-1400 ...	2	81	9	37
1400-1600 ...	2	83	8	20
1600-1800 ..	3	32	9	5
1800-2000 ...	3	37	9	49
2000-6000	5	50	14	81
6000 & above ...	18	52	47	21
All debtors ...	3	43	8	0

From the above table it is seen that as the debt increases, the average area owned also increases. It may also be noted that debtors having debts above Rs. 5000 own very large areas of land, on the average, nearly 50 acres.]

Table 22.

Extent of land.	Average debt per owner of wet land.	Average debt per owner of land, wet or dry.
	Rs.	Rs.
Below 1 acre ...	749	452
1-2 acres ...	1,174	612
2-3 ,, ...	1,180	795
3-4 ,, ...	1,850	969
4-5 ,, ...	2,150	1,180
5-10 ,, ...	2,941	1,597
10-15 ,, ...	3,872	2,355
15-20 ,,		4,114
20-30 ,,		4,110
30-40 ,, ...	7,861	5,569
40 50 ,,		6,134
50 & above ,,		6,073
All debtors ,, ...	1,570	1,440

The above table points to the fact that debtors having larger areas of land have larger debts also. It is significant that in all cases wet land owners are more indebted comparatively than the general class of land owning debtors. Incidentally this compels the conclusion that paddy cultivation is more conducive to indebtedness than dry crops cultivation. We have also to remember, however, that wet land is more valuable than dry land and that the wet land owner can command better credit than the owner of dry land.

26 *Total debt expressed as a multiple of the total extent of the land of the debtors.*

From the two above tables, it is seen that the average entire debt of debtors who own land is Rs. 1,440 and the average area of land owned per debtor is 8 acres. Therefore, the debt per acre of land, owned by debtors owning land, is Rs. 180. In computing this, it may be emphasised that we have

not included the land owned by agriculturists who are not debtors. But as far as the indebted agriculturists are concerned, the situation is clear enough from these figures. The average burden of a debt of Rs. 180 per acre spread over a period of 20 years will be Rs. 9 per acre which is more than what a cultivator can normally save. Added to this is the burden of interest which alone at the 12 per cent. allowed by the law now in force amount to Rs. 21-6-0 per year. This amount is probably more than the total net income of the cultivator from an acre of land at present.

27. *Classificaton of transactions.*

The following table gives the debt transactions of all debtors and of all kinds, classified according to their amounts. The figures under each class are the percentages of the total number of transactions of that class.

Table 23.

Value of transactions.	Percentage of transactions.			
	Hypothecation.	Chitty.	Mortgage.	Unsecured.
Rs.	per cent.	per cent.	per cent.	per cent.
Below 100 ...	20·4	23·1	25·3	47·3
100-200 ...	24·0	21·6	22·0	22·9
200-300 ...	14·3	15·1	13·9	9·9
300-400 ...	9·9	10·3	8·7	5·8
400-500 ...	6·4	6·9	6·0	3·3
500-600 ..	4·9	4·9	5·0	2·3
600-700 ..	3·6	3·6	2·9	1·5
700-800 ...	2·8	2·9	2·7	1·2
800-900 ...	1·9	1·8	1·8	·9
900-1000 ...	1·5	1·4	1·3	·7
Above 1000 ...	10·5	8·4	10·4	4·2
Total ...	100·0	100·0	100·0	100·0

The above figures show that, in respect of all classes of debts, 90 per cent. of transactions *in the returns* are of value below Rs. 1000. In the case of unsecured debts, 70 per cent are of value below Rs. 200 and 47 per cent, below Rs. 100.

28. *Source of credit.*

The following table gives the proportion of transactions of each class, and of specified values, in which the creditors are agriculturists :—

Table 24.

Value of transactions.	Proportion per cent of transactions in which creditors are agriculturists.			
	Mortgage.	Hypothecation.	Chitty debt.	Unsecured debt.
Rs.	per cent.	per cent.	per cent.	per cent.
Below 100 ...	74·7	67·2	65·7	55·3
100-200 ...	72·8	66·6	58·8	53·2
200-300 ..	71·9	64·6	57·4	53·3
300-400 ...	70·0	63·8	58·7	50·6
400-500 ...	71·1	60·7	57·8	51·9
500-600 ...	68·7	59·5	57·0	48·7
600-700 ...	71·4	64·1	58·1	50·2
700-800 ..	67·8	60·1	55·1	50·5
800-900 ...	64·7	56·0	52·0	44·2
900-1000 ...	63·4	62·5	50·8	46·6
1000-1200 ...	64·1	59·4	55·1	46·0
1200-1400 ...	58·7	55·2	45·0	36·2
1400-1600 ...	62·9	50·4	49·0	41·6
1600-1800 ...	56·9	48·6	55·3	35·7
1800-2000 ...	59·1	58·9	49·3	43·0
2000-2500 ...	57·9	51·8	47·5	34·9
2500-3000 ...	59·0	41·4	45·5	48·8
3000 & above ...	52·1	42·6	42·5	40·0
All transactions ...	70·7	63·4	58·9	53·1

The above table shows that a considerable majority of *debt transactions in the returns received* are between the agriculturists themselves. In the case of mortgages, in 71 per cent of transactions, the creditors are agriculturists. In respect of unsecured debts, in 53 per cent of transactions, the creditors are agriculturists. This shows that in the majority of secured transactions the creditors are agriculturists, while in the case of unsecured transactions, the proportion of agricultural creditors is lower. The table also shows that as the value of transactions increases, the proportion of agricultural creditors decreases. This shows that as the value of debt transactions increases, there is a greater tendency to borrow from non-agriculturists.

29. *Rates of Interest.*

It is found that the rates of interest shown in the returns vary from 3 to 24 per cent and that the vast majority of transactions bear interest at 12 per cent. The table below shows the proportion of debt transactions of each kind according to rates of interest.

Table 25.

Interest.	Hypothecation.	Chitties.	Unsecured debts.
10 per cent and below ...	7·6	2·0	6·0
11-13 ...	87·4	90·3	86·1
14 per cent and above ..	5·0	7·7	7·9
Total ...	100·0	100·0	100·0

In all kinds of debt transactions, about 80 to 90 per cent bear interest practically at 12 per cent per annum. We would point out that in the case of chitty debts, even though they are hypothecations, *i. e.*, debts secured on land, 98 per cent of the transactions bear interest at rates higher than 12 per cent per annum. It is also to be remembered that, in these returns, the majority of the transactions are between agriculturists themselves. The evidence of these figures is not, therefore, capable of any general

application in estimating the burden of interest charges. The predominance of an apparent 12 per cent rate is probably in conformity with the legal maximum. There is considerable independent evidence of higher rates prevailing in all parts of the country and in all kinds of money dealings. Thus in reducing the real burden of a higher than 12 per cent interest to an apparent 12 per cent or less, the value of the principal of the loan is more likely to have been inflated. It is not also possible to deduce how far the possibility of charging compound interest helps to keep general interest rates low.

Table 26.

Value of transactions and rates of interest.

Rate of interest.	Kind of transaction.	Below Rs. 500.	Rs. 500-1000.	Above Rs. 1000.
10 per cent & below ...	Hypothecation ...	5·3	10·1	20·6
	Chitty ...	1·7	2·3	4·6
	Unsecured ...	5·2	9·9	15·6
11—13 per cent.	Hypothecation ...	89·3	85·6	76.0
	Chitty ...	90·3	89·9	90.2
	Unsecured ...	86·5	84·2	80·3
14 per cent & above ...	Hypothecation ...	5·4	4·3	3.4
	Chitty ...	8·0	7·8	5·2
	Unsecured ...	8·3	5·9	4·1

30. *Period of origin of transactions.*

The returns have been studied with a view to ascertain the distribution of debt transactions according to the date of origin Considering all transactions, it is found that in 9 per cent of transactions, the dates were not specified. About 14 per cent of all debt transactions are found to have originated before 1100; 34 per cent, in the period 1101-1105; and 43 per cent, from 1106. If we take the period from 1105 to 1110, the proportion is about 50 per cent. The only inference that can be drawn is that a relatively large proportion of transactions which originated in the last 6 years are remaining unredeemed.

31. *Creditors.*

(i) The following table shows the distribution of 17,680 creditors according to the amounts due to them:—

Table 27.

Value of credit.	Number of creditors.	Proportion per cent.
Below Rs. 200 ...	4,277	24·2
Rs. 200-400 ...	3,404	19·3
,, 400-600 ...	2,155	12·2
,, 600-800 ...	1,508	8·5
,, 800-1000 ...	1,035	5·9
,, 1000-1200 ...	989	5·5
,, 1200-1400 ...	575	3.3
,, 1400-1600 ...	455	2·5
,, 1600-1800 ...	370	2·1
,, 1800-2000 ...	321	1·8
,, 2000-2500 ...	583	3·3
,, 2500-3000 ...	371	2·1
,, 3000-3500 ...	305	1·7
,, 3500-4000 ...	211	1·1
,, 4000-4500 ...	177	1·1
,, 4500-5000 ...	110	·6
,, 5000-5500 ...	107	·6
,, 5500-6000 ...	76	·5
,, 6000 & above ..	651	3·7
Total ...	17,680	100·0

It will be found that 70 per cent of the creditors have credits less than Rs. 1000, while only 3·7 per cent have credits more than Rs. 6000. Thus it is seen that the great majority of creditors have to realise comparatively small amounts.

(ii) In this connection, it may be observed that the returns that we have obtained relate only to agriculturist creditors. We have received only a very small number of schedules from non-agriculturist creditors, although we have already seen, from Table 24, that in about 40 per cent of all debt transactions, the creditors are non-agriculturists.

(iii) It has also been found that of the total number of the loan transactions of the creditors, in 78 per cent the debtors are agriculturists.

(iv) The average number of loan transactions per creditor is 4·3 and we have seen in Table 3 that the average number of debt transactions per debtor is 3·5.

(v) It is also found that of the credit transactions, 14 per cent are mortages, 33 per cent hypothecations, 15 per cent chitties, and 38 per cent unsecured debts.

Thus in many important respects, such as the proportion of dealings between agriculturists, the average value of outstanding debts, and the predominance of debts in the lower groups, there is corroborative evidence in these tables. The proportion of unsecured debts being larger and hypothecations being lower than in Table 6 is evidence of the fact that the more timorous creditors have responded to the enquiry.

32. *Total debt.*

The materials available to us are so limited that, from them, only a surmise can be made of the total volume of rural debt. While it is undoubted that only a very small proportion of the debtors have returned schedules, there is no means of knowing or estimating what that proportion is. The estimate of total debt made by the Banking Enquiry Committee is Rs. 25 crores and that by the Census Commissioner is Rs. 20 crores. The Economic Depression Enquiry Committee has estimated the real weight of total debt in 1931 at about Rs. 40 crores.

The country has been passing through a period of acute depression during the last 6 years, so that the previous estimates may not be quite applicable today. A rough calculation is made below, correlating the results of the previous equiries with those of the present enquiry. This calculation is made along three lines:—

(i) According to the Census of 1931, the proportion of persons having secured debts to the total number of earners is is about 16 per cent. The number of earners then was 14·77 lakhs. Now, four years after the Census, their number may be assumed to be about 15 lakhs. Let us also assume that though debts and debtors have increased, the proportion of debtors to the total number of earners is, more or less, the same. Therefore, the approximate number of debtors with

secured debts, at present, will be 16 per cent of 15 lakhs, which is 2,40,000. At the present enquiry, it is found, that the average secured debt per debtor (having secured debts) is Rs. 1,250. Therefore, the total debt is Rs. 37·5 crores or roughly Rs. 38 crores.

(ii) In the Banking Enquiry Committee Report, it is stated that about 31 per rent. of the agricultural families are free from debt. Now, let us assume that about 70 per cent of the agriculturists are indebted. From the Census figures, it is seen that the total number of agriculturist earners (excluding agricultural labourers) is 3,70,000. Now, after four years, let us assume the figure to be 3,80,000. Therefore, the number of agricultural debtors will be 2,66,000. According to the present enquiry, average debt per debtor is Rs. 1,450. Therefore, the total debt is Rs. 38·3 crores or roughly Rs. 38 crores.

(iii) The total cultivated area in the State is equal to 4,800 sq. miles. Debt per acre, according to the present enquiry, is Rs. 180. So, if all land-holders were debtors, the total debt would be about Rs. 55 crores. But we know from the Banking Enquiry Committee's Report that only 70 per cent are indebted. So, the total debt will be 70 per cent of Rs. 55 crores, which is Rs. 38·5 crores, or roughly Rs. 38 crores.

If this estimate is correct, it will have to be admitted that the total volume of rural debt has increased to a very considerable extent during the last 6 years.

This estimate is, of course, of the gross agricultural debt of the State. We have already seen in paragraph 7 above, that, according to the returns received, about 20 per cent of debtors are creditors as well and that the net debt is about 79 per cent of the gross debt, and made the further estimate that about a third or 35 per cent of the debts are mutually set off. Hence the *net* rural debt of the State, at present, would be about Rs. 25 crores, where as, according to the previous investigations, the *gross* rural debt was estimated to be about Rs. 20 to 25 crores. We may also observe that the *net* debt has not been estimated in previous investigations.

Confidential

FORM A. (To be filled in by debtor.)

Statement before the Travancore Agricultural Debts Redemption Committee.

Name.

Address

Pakuthy.

Taluk.

Whether Travancorean or not.

Whether agriculturist or not.

Area of land held { Wet / Dry. { Rubber / Tea / Cardamom / Other kind of garden / Other kind of dry land

Annual income from { Agricultural sources Rs. / Non-agricultural sources Rs.

Acre. cent.

Amount of land tax paid Rs.

1	2	3		4	5	6		7		8		9	10	11	12	13	14
Items of transactions No.	Year of original transaction.	Principal as per original transaction.		Rate of interest.	Number of renewals.	Total amount due as per accounts including interest.		Total sum paid up.		Balance to be paid up.		Whether recovery of amount sought for through court decree; if so the stage of proceedings.	Whether due under Otti or Chittotti.	Whether secured on immovable property otherwise than by Otti or Chittotti.	Whether unsecured.	Whether the creditor is an agriculturist or non-agriculturist.	Remarks.
		Rs.	Paddy paras.			Rs.	Paddy paras.	Rs.	Paddy paras.	Rs.	Paddy paras.						

I do hereby declare that the information furnished in the above statement is correct to the best of my knowledge and belief.

Station.

Date.

Signature.

N. B.—These items of information are invited by the Agricultural Debts Redemption Committee with a view to make use of them for the statistics required by the Committee. Correct information should be supplied and the statement should be sent to the Secretary to the Committee at Trivandrum, so as to reach him on or before the 31st Meenam 1110. If the party is unable or unwilling to fill up any column or columns or to give any particulars, the remaining columns may be filled up and the other particulars given. The information will be kept strictly confidential.

Please note the following, while filling up the form:—

(i) Unsecured includes pronotes, bonds, accounts etc.

(ii) In column 9, specify whether trial, decree or execution stage.

(iii) For the purpose of this form, the term 'Agriculturist' means and includes a person who either earns his livelihood by agriculture or who is an owner of land used mainly for agriculture or who is a tenant or one who belongs to the servant class depending on agriculture.

(iv) With regard to columns 3, 4, 6, 7 and 8, if the transaction is in paddy, the information should be given in paras.

Confidential.

FORM B. (To be filled in by creditor).

Statement before the Travancore Agricultural Debts Redemption Committee.

Name.

Whether Travancorean or not.

Annual income from { Agricultural sources Rs. / Non-agricultural sources Rs.

Address.

Whether Agriculturist or not.

Acre. cent.

Pakuthy

Taluk.

Area of land held { Wet / Dry { Rubber / Tea / Cardamom / Other kind of garden / Other kind of dry land

Amount of land tax paid Rs

1	2	3		4	5	6		7		8		9	10	11	12	13	14
Items of transactions No.	Year of original transaction.	Principal as per original transaction.		Rate of interest	Number of renewals.	Total amount due as per accounts including interest.		Total sum paid up.		Balance to be paid up.		Whether recovery of amount sought for through court decree; if so the stage of proceedings.	Whether due under Otti or chittotti.	Whether secured on immovable property, otherwise than by Otti or chittotti.	Whether unsecured.	Whether the debtor is an agriculturist or non-agriculturist.	Remarks.
		Rs.	Paddy paras.			Rs.	Paddy paras.	Rs.	Paddy paras.	Rs.	Paddy paras.						

I do hereby declare that the information furnished in the above statement is correct to the best of my knowledge and belief.

Station.

Date.

Signature.

N. B.—These items of information are invited by the Agricultural Debts Redemption Committee with a view to make use of them for the statistics required by the Committee. Correct information should be supplied and the statement should be sent to the Secretary to the Committee at Trivandrum, so as to reach him on or before the 31st Meenam 1110. If the party is unable or unwilling to fill up any column or columns or to give any particulars, the remaining columns may be filled up and the other particulars given. The information will be kept strictly confidential.

Please note the following, while filling up the form :—

(i) 'Unsecured' includes pronotes, bonds, accounts, etc.

(ii) In column (9) specify whether trial, decree or execution stage.

(iii) For the purpose of this form, the term 'Agriculturist' means and includes a person who either earns his livelihood by agriculture or who is an owner of land used mainly for agriculture or who is a tenant or one who belongs to the servant class depending on agriculture.

(iv) With regard to columns 3, 4, 6, 7 and 8, if the transaction is in paddy, the information should be given in paras.

Supplementary Note

by

Mr. T. Kumara Pillai,

on

*The Nanjinad and Edanad cultivators and their burden of debt.**

In the body of the Report, it has been clearly shown that the agriculturists in general are in the grip of a wide-spread distress. While this is true of all parts of the country, certain well-marked agricultural tracts, such as Nanjinad and Kuttanad, have, in addition, special problems of their own, which, to a considerable extent, contribute to the indebtedness of the cultivators. In Chapter VII of the Report, the Committee has dealt, in some detail, with the plight of the paddy cultivators in Kuttanad. What is true of the general condition of the cultivators in Kuttanad and Nanjinad, including Edanad, is true, perhaps in a lesser degree, of all paddy cultivators throughout the country. The purpose of this supplementary note is not to express dissent of any kind from the Committee's Report with which I am in complete agreement, but merely to give a resume of the information which we have been able to gather concerning present conditions in Nanjinad and Edanad.

Whereas, in Kuttanad and Edanad, the agriculturists are not solely dependent on paddy cultivation for a livelihood, but

---

* This note was received from Mr. Kumara Pillai after the submission of the Report. The Committee recognised that the agriculturists in Nanjinad have been severely hit by the fall in the price of paddy and that their condition has become worse, in the last two years, on account of drought and the consequent failure of crops. Their indebtedness, however, does not, as in the case of the Kuttanad agriculturists, reveal any marked special features, distinct from those that are common to other agriculturists in the State. The special difficulties of the Nanjinad cultivators are those that concern the requirements of paddy cultivation and, therefore, do not fall within the scope of the Committee's enquiry.—*Chairman.*

are able also to turn to a commercial crop, like coconut, etc., the agriculturist in Nanjinad is almost entirely dependent on paddy cultivation. In British India, paddy is rotated with maize, plantain, sugar-cane, condiments and market gardening. In Nanjinad the land is almost solely devoted to paddy of which it raises two crops in the year. It is years since such crops as gram, black-gram, green-peas and gingelly, have been harvested.

Such complete dependence on a crop which requires plenty of water to grow and ripen in, is to make agriculture precarious in the extreme, in an area where the rainfall ordinarily is not well above the 18 inches, which is the irreducible minimum required for arable farming. It is on account of this that from very early times, irrigation works have been constructed in South Travancore. The not very generous rainfall was carefully stored and husbanded in tanks, which saved paddy cultivation from being an absolute gamble. It was with this object, too, that the Government planned and carried out the Kodayar Project. It was hoped to make the supply of water to the paddy crop, independent of fluctuations in the rainfall. A large acreage of new lands which could never have hoped to bear paddy was brought under the plough for paddy cultivation. So great was the faith in the project, that Government felt it no longer necessary to maintain all the old tanks and assigned a large acreage of their beds for paddy cultivation. Perhaps such faith was well-placed ; but a succession of unforeseen dry seasons have made even the Kodayar lake empty of water. The harvest on lands which were fed solely by channel water, has failed again and again. Those lands which were formerly fed by tanks would have cropped ; but they were put on channel feeding and were thereby involved in the common ruin. Only such lands as still retained their tanks, produced a harvest as a result of the hard labour of lifting water by mechanical means from the bottom of almost dried up tanks. Government had again and again to remit totally or in part, the land tax because of the failure of the crops.

The land which was newly brought under cultivation was land on the margin of cultivation, yielding hardly anything over and above the expenses of cultivation. Government recognised

this when it fixed a sliding scale of tax, increasing with the years. But the large influx of new land under paddy cultivation, increased the cost of cultivation all round. Labour became scarce and agricultural wages rose. The greater demand for cattle manure raised its price, while the extensive assignment of grazing grounds for cultivation led to the practical extinction of cattle breeding which was once a regular industry of the people of the tracts under consideration. The land which was newly brought under paddy, had formerly grown leaf manure, and so the scarcity of green manure made it dearer still. Agricultural occupations like ploughing, weeding and reaping, cost more. Thus the expenses of cultivation grew more and more.

Taxation added to the burden of the cultivator. The land tax is the highest in Nanjinad being as high as Rs. 28 per acre in double crop lands. A water cess has been levied on the land since the Kodayar Project began to work. Over and above the direct taxes on land, a few other taxes affect the agriculturists indirectly. For instance, we have been told by witnesses, again and again, that Nanjinad and Edanad are surrouded by a ring fence of toll-gates, which not merely tax passenger traffic but also the transport of agricultural prnduce of all kinds and even the requisites of cultivation like manure. Our witnesses have also complained of the market dues which they regard as vexatious, taxing as they do, even the smallest quantity of agricultural produce carried to the market.

Taxation was cheerfully borne as long as the price of paddy ruled high. But in recent years the price of paddy has been falling, chiefly owing to the competition with paddy and rice from Burma. The *average* price per Kottah of Nanjinad paddy since the year 1100 is given below.

		Rs.	ch.	c
1100	...	10	17	0
1101	...	10	0	0
1102	...	9	15	0
1103	...	10	0	0
1104	...	9	5	0
1105	...	7	0	0
1106	...	5	14	0
1107	...	5	6	0
1108	...	5	0	0
1109	...	4	0	0

The average price per Kottah of paddy for the years 1106, 1107, 1108 and 1109 was about Rs. 5. As we are about to submit the Report to Government, the Nanjinad paddy sells at Rs. 6 per Kottah which is admittedly a scarcity price, following the recent failure of crops. The price of paddy has, on the whole, gone down 50 per cent in Nanjinad and Edanad. The Economic Depression Enquiry Committee (Report pages 42-43) estimated the profit per acre of land under paddy in pre-depression days at Rs. 120. During the depression the profit fell to Rs. 20 per acre; and our witnesses place it at Rs. 15 at the present day. Thus rising expenses and falling prices have made paddy cultivation a profitless task.

Even then land would have been coveted for the status it conferred and the peasant would have considered paddy cultivation a dignified source of securing food for himself and his family if there had been a sufficiency of it in each hand. But fragmentation of land has proceeded apace in Nanjinad and Edanad, especially after individual partition of family properties came into force among the leading communities. The Banking Enquiry Committee found out (Report page 12) that when paddy sold at Rs. 6 per Kottah, at least 3 acres would be required to keep a family of five in reasonable comfort. But even 74 per cent of the ryots in Nanjinad and Edanad own less than 3 acres of land and the average price of paddy for several years now has been in the neighbourhood of Rs. 4, and much less in Edanad.

When the ryot was thus embarrassed for small sums he went to the moneylender. During the last decade, several joint stock banks established branches in Nanjinad and Edanad and gave credit to the ryot on the pledge of gold. He resorted to this form of facile credit and pawned the savings of generations. He would have redeemed them if the produce of his land had been plentiful or if what little he got had fetched a good price. Neither of these things happened and according to the evidence of the bankers themselves, much of the gold of Nanjinad and Edanad has either accumulated in the safes of the Banks or has already been exported.

The other source of credit for the agriculturist is his land. Small owners who are, for one reason and another, in urgent need of money, either sell or mortgage their lands, becoming lease-holders instead of owners of the land. In this manner a great deal of land has already changed hands and a class of owners arisen who were not resident cultivators but absentee landlords. The peasant proprietor has therefore a tendency to disappear (Banking Enquiry Committee Report, page 12). The cultivating proprietor is, according to all accounts, fast disappearing in Nanjinad and Edanad. His place is being taken by an absentee landlord and an irresponsible tenant farmer. The landlord is not interested in the land except as a secure investment even though it brings only a low return. The actual cultivator is only interested in getting the maximum immediate benefit for the minimum expense, Such methods of cultivation have progressively despoiled and impoverished the soil, leading to diminished yield. "The magic of property turns sand into gold .....Give a man the secure possession of a bleak rock, and he will turn it into a garden ; give him a nine years' lease of a garden, and he will convert it into a desert." *

Where land is not alienated, it is heavily encumbered. The Banking Enquiry Committee discovered that the land in Nanjinad was the most heavily involved in debt. The amount of debt per acre is Rs. 304 which is the highest figure for any part of Travancore (Banking Enquiry Committee Report page 46). Several of our witnesses are agreed in considering that not more than 10 per cent of the agriculturists are free from debt. Their position becomes worse and worse with deepening depression. Land values have declined steeply with the fall in commodity prices. Our witnesses point out that there is a perfect correlation between the two, each standing at about fifty per cent of what it was before the depression. Land which had been bought during times of rising prices has depreciated to half its value, so that the security which attracted investment in lands is no longer active, and dealings in land have become risky. Again and again our witnesses have quoted inatances of lands

* *Vide* Mill's Political Economy, Chapter VII, page 283, where he quotes Arthur Young.

coming up for sale for their secured value, and failing to find purchasers. Land has thus ceased to be a marketable commodity and funds cannot be raised on its security. Meanwhile interest on debt is mounting. Unable to settle his debts either by borrowing or sale, without money to cultivate the land and without profit when he does cultivate it, the agriculturist in Nanjinad and Edanad is firmly entrapped in the coils of the depression. His own efforts to release himself makes him all the more involved. There can be no doubt that in such circumstances, the State has a positive duty to put forth all the resources at its command in order to redeem from the crushing burden of debt such vast sections of primary producers, as the paddy cultivators of Nanjinad and Edanad as well as Kuttanad.

T. KUMARA PILLAI.

Supplementary Note

by

Mr. P. A. Abraham.

I am generally in agreement with the recommendations. Seeing that the agriculturist is very hard hit and that he is groaning under the crushing weight of debt, I have my doubts if the remedies proposed would serve anything more than mere palliatives. In a State predominantly agricultural, the problem of agricultural indebtedness requires a solution which would virtually rehabilitate the agriculturist. Otherwise his outlook will be one of perennial gloom. It is not wise to tinker with this problem. Its magnitude should not create a spirit of despair either in the Government or among the agricultural class. The worst policy towards debt, it has been well said, is to ignore it. It must be tackled with a determination to solve it. Otherwise the evil day is only put off. The helplessness of the agriculturist will generally degenerate into a kind of agrarian unrest which may ultimately sap the economic foundations of the State and lead to the disturbance of public tranquility. This extraordinary situation can be surmounted only by the application of extraodinary measures.

Regarding the rates of interest to be awarded from 1105 to the period when normal conditions would reappear, I am opposed to the varying rates recommended for banks and other moneylenders and to the distinction drawn in the rates of interest payable on secured or unsecured debts. The proposed rate of 6 per cent to 9 per cent interest cannot be justified in view of the finding in the report that the value of agricultural produce has fallen by 60 per cent in the last decade; for the rates of interest on loans advanced to agriculturists must necessarily undergo a proportionate reduction. I am, therefore, definitely of the view that any rate higher than 4 per cent is not justifiable during the depression period. The justification for the reduction of interest is the deterioration in the ability of the debtor to pay it from the yield of his land.

I am also opposed to allowing lawyers in their professional capacity to appear before conciliation boards. I have no objection, in fit cases, to allow representation by private agents. Since no regular pleadings or technicalities of law and procedure are contemplated to arise before a conciliation board, it is not desirable to allow the members of a profession accustomed to technical procedure to participate in proceedings intended to bring parties to a settlement of debt by equitable considerations, more by appealing to the best in human nature and by kindling the good sense in them rather than by the rigid insistence on legal rights and remedies.

P. A. ABRAHAM.

Dissenting Note

by

Mr. M. K. Ananthasivan Iyer

I regret I am unable to agree with the recommendations contained in the main report.

1. Agricultural indebtedness is a phenomenon of almost universal prevalence in a predominently agricultural country like India and apart from local peculiarities, the problem has, in its broad aspects many common features all over the country. "The Indian agriculturist is born in debt, lives in debt, dies in debt and bequeaths debt" says Professor P. J. Thomas. This indebtedness of the agriculturist is little capable of relief unless and until the peculiar human nature also is changed. Travancore, being purely an agricultural country. is therefore, no exception to the general rule. Agriculture in Travancore, like any other industry, requires, as much as elsewhere the operations of credit and hence the burden of indebtedness is none the less here. Credit is a necessity for the agriculturist. But the mere fact of indebtedness does not mean that agricultural economy is a minus figure. More often than not, the amount of debt is but a measure of the wealth that is produced with the aid of the debt. We cannot lay at the door of agriculture all the causes of the heavy indebtedness in Travancore. Reckless improvidence and speculation have gone a great way to swell the volume of indebtedness of the agriculturist. The major portion of the agricultural indebtedness in Travancore has been contracted by some reckless and improvident agriculturists more for speculative and unproductive purposes during times when prices of the articles grown in Travancore ruled high in the market. The indebtedness during pre-war times was certainly within the repaying capacity of the agriculturist and he could have during boom prices, washed his hands clean of such debt and taken advantage of the high price he got for his products. The abnormal rise in the prices of paddy, coconuts, rubber, tea and such other Travancore products was taken advantage of by the agriculturist only to borrow more and more with a view to extend the sphere

of his activities. Instead of paying off all debts which he had already incurred till then, whether inherited or self acquired or both and having a reserve fund for future operations, he squandered away all the money on improvident and unproductive purposes and extravagance. The misuse of the true value of credit and of the money obtained by credit has prevented the cultivator from reaping the full benefit of the high prices. If the agriculturist had only been a little cautions he could, besides being extricated out of his old liabilities, have reserved a good portion for his future. Instead of that, he raised his standard of living beyond his normal income, spent lavishly on marriage and other ceremonies, wasted a lot on unremunerative and costly education, made wide speculation in land, involved himself in costly litigations, put up palatial buildings for habitation and generally led an improvident, extravagent and luxurious life The agriculturists whose borrowing capacity had increased banking his whole fortune on the transient war prices, started borrowing for the above purposes in a manner entirely unjustified by his assets. His borrowings for purely agricultural purposes are insignificant when compared with his borrowings for the above said unproductive purposes. The agriculturist perhaps thought that the price for his products and the consequent high price for his land will be maintained for ever. But with the fall in the price of the produce and the consequent fall in the price of the land, he is faced with a very serious situation. The rise in the standard of living beyond normal income encouraged by the boom prices during war time proved too tenacious for him to leave off and too difficult to maintain. His high marital connections became costly. The education of his children which he hoped would return a decent income has become a real burden on him besides being a source of trouble to the State itself by the increase in the number of educated unemployed men. The wild speculation in land due to the insatiable thirst for landed property and reclamations which held sway during war times proved to be too costly to be maintained. When prices fell, the agriculturist began to feel the burden of debt. But he must thank his own improvidence and recklessness for his position today. Such of the agriculturists as have been prudent enough

to make the best use of the benefit of the high prices during war-time are now, besides being free from debt, in a position to carry on their business without having recourse to borrowing. The abnormal increase in the population and the aversion to manual labour among the educated unemployed have added much to the indebtedness of the agriculturist.

2. Whatever be the causes of the indebtedness, it is an admitted fact that the great economic depression that has prevailed in the country during the past five or six years on account of the great fall in the prices of the agricultural products has considerably affected the agriculturist. It must be accepted as a fact that Travancore has been thrown into the vortex of world changes and her people must adjust themselves to the surrounding conditions instead of quarrelling with them.

3. In concerting measures for the relief of the agriculturist, we have to remember (a) that by the terms of reference, commercial and other kinds of debts are excluded from the ambit of this enquiry and (b) that the remedies prescribed must be commensurate with the nature of the disease. The following points have therefore to be considered.

(1) "Interference with economic laws is almost as difficult and dangerous as interference with laws of nature".

(Devadhar Committee Report, Chapter XVIII para 2 page 127).

(2) Conditions in Travancore are entirely different from those prevailing elsewhere.

(3) Both the creditor and the debtor are entitled to the protection of Government.

(4) The creditor of the agriculturist should not be impaired.

(5) The relief measures should be such as not to affect any other industry, especially the banking and trading industry in Travancore; and

(6) The relief, if any, is intended only to those to whom agriculture is the only source of income.

4. It is idle to attribute the causes of indebtedness to the creditors. Nor is it true to say as observed in the main report that, in normal times, the agriculturist debtor was keeping up his

engagements and meeting his liabilities and that there was no tendency on his part towards evasion of payments or repudiation of debts as evidenced by the large accumulation of debts even before the depression began and pretty large number of suits. Conditions of agricultural debtors in Travancore are not the same as those in the United Provinces, the Punjab, Deccan or other British Indian Provinces or States. The proverbial illiterate and conservative agriculturist of British India is a rare phenomenon in Travancore. Every agriculturist in Travancore reads and writes and understands transactions in credit and procedure in courts and is conscious of all his legal rights and is well equipped to fight for them to the last. This position may more or less, be gathered from the fact that, in receipts under stamp revenue, the figures in Travancore are far higher than the figures in Mysore and British India in terms of population. The great number of contested suits in Travancore courts will also bear testimony to this position. Almost every agriculturist has one or more subsidiary occupations by which he supplements his income. This is a qualification peculiar to the agriculturists in Travancore. The majority of the money lenders in Travancore enjoy also the position of agriculturists which gives them an insight into the real conditions of agriculture and the varied necessities of the agriculturist, thus breeding a sympathy in them which is so very conspicuous by its absence in their compeers in British India. It must also be noted to our credit that professonal money lenders like the Sowcars, Pathans, Marwaris or any other class of the so-called unscrupulous money lenders, out for the spoliation of the agriculturist, exploiting distress and misfortune and lending money at unconscionable rates of interest, do not form any part of the rural economy in Travancore. Such unscrupulous exploitation of the agriculturist debtor in Travancore is not a possibility.

5. The rates of interest ordinarily obtaining and obtainable in Travancore are restricted under statute and are far less than the rates prevailing in British India and other Native States. The maximum rates allowed in Travancore are 12 per cent for money and 20 per cent for paddy; while the rates prevalent in Mysore are up to 48 per cent for money and 100 per cent for

paddy, in Bhavanager 37½ per cent to 75 per cent for money. In the United Provinces, the legislature does not consider as usurious, interest up to 24 per cent, while in the other parts of India 36 per cent is the normal rate. In the Punjab the rates vary from 18 per cent to 75 per cent, courts allowing even 36 per cent.* In Travancore the creditor is not entitled to get more than 50 per cent of the principal as accumulated interest, whereas in British India there is no limit to the accumulation of interest. Hence, the creditor in Travancore is restrained from abusing his power by law and he performs his useful and necessary functions in a manner that can, under no circumstances, be stigmatised as unscrupulous.

6. The legislation in certain British Indian Provinces and Indian States has been directed to relieve the poor and illiterate debtor from the tentacles of the merciless octopus and to adopt the same measures here would result "in putting an extraordinary premium on reckless improvidence and a penalty on thrift."

7. "The money lender is the only oasis of thrift in a desert of improvidence and extravagance and is the very foundation of the simple system of rural economy as obtained in India and a fountain of ever ready credit on which the villager can draw for all his needs." (Jathar & Beri on Indian Economics). The so-called money lender is only a person who elected to invest his wealth in money or cash while the so-called agriculturist elected to invest his wealth in land. It must also be recognised that the money lender's investment in money is not so secure and permanent as the agriculturist's investment in land. Money lending business is attended with many risks. Every agriculturist can turn himself into a money lender to the extent of his savings. In fact, this is the position of the majority of the money lenders in Travancore. For this reason, the money lender also deserves sympathy at the hands of the State. The village banker is essential to the social system of the country and performs all the functions of credit in the villages. He enables

*In all the instances cited, such rates are considered usurious on the part of the moneylender and ruinous to the agriculturist and, in recent times, measures have been adopted by the Governments concerned to protect the agriculturist from having to pay such unconscionable rates. (*Vide* Chapter X).—*Chairman.*

the peasantry to derive full benefit from a good season and to moderate the recurring disasters of drought and famine. His work enables the agriculturist to carry on production and any remedial measures that affect the carrying on of his important and imperative functions will immediatety react upon agricultural industry to such an extent as to make it well nigh impossible. "A severe blow to the money lender is the death of the agriculturist". Both the money lender and the agriculturist form the economy of the State and for mere temporary dislocation, the money investor should not be penalised for the benefit of the investor on land merely because the latter is numerous.

8. Besides, the majority of the money lenders are agriculturists themselves (*Vide* observations in the report on Table No. 24, para 28) * who have been equally affected by the fall in prices and who have to depend upon the interest on their investments for meeting their demands. Any reduction in interest rates would make them debtors since they may not be able to meet their pecuniary commitments. There are, as a fact, several debtors who are in a much better position than their creditors. These facts are borne out by the observations in the main report.

9. The evidence recorded by the committee will show that there is a class of creditors who have sold away their properties during the boom period and invested the sale proceeds in small loans with a view to get larger income so as to make a living.† It is hard to make them suffer for no fault of theirs.

10. Lack of capital is a serious handicap to persons who undertake the work of wealth production. The big industrial

---

*The observation referred to is as follows :—

"A considerable majority of *debt transactions in the returns received* are between the agriculturists themselves" which is a different thing from saying that "the majority of the moneylenders are agriculturists themselves."—*Chairman.*

†No evidence of this kind was recorded by the Committee. If the statement is true in fact, it only serves to show that, even in boom times, to lend money is more profitable than to own and cultivate land. If it is so in boom times, much more so *should it be now, when the return from* land has *gone so* low, and it is only fair that the moneylender should now be prepared to forego some portion of his usual profits.—*Chairman.*

organiser as much as the farmer must have at his disposal sufficient means to carry on his work until the act of production is completed and fructifies in the desired form of wealth. This demand calls forth a supply. Money lending has thus become a business useful to all industry. But this requires a certain amount of mutual trust among the parties concerned in lending and borrowing. This trust is credit. The organization of credit is both an index and a cause of economic progress. Agriculture cannot exist without credit and the agriculturist being in many cases poor, is always in need of help and must be financed by some one for meeting the expenses of cultivation. His recourse to the village money lender is a necessity. Unless mutual confidence is kept intact the agriculturist may have to suffer. Any legislation which would inevitably create a feeling of insecurity in the minds of the financing agency, so far as the sanctity of valid contracts is concerned, will tend to create misgivings as to the possibilities of similar measures being adopted in future also. Such measures will lead to incalculable harm to the very classes proposed to be saved. Whatever measures are devised for the existing conditions should be such as will not frighten away the credit machinery and will not have the effect of not only preventing the inflow of capital into the State but also driving the same out, It may also be relevant to point out that much bad blood has already been created in the State for which none but a few disgruntled agitators are mainly responsible. The proverbial "laws delays" had considerably affected credit. The Royal Proclamations interfering with the execution of decrees in courts accelerated the fall. The agriculturists are now hard pressed to get the loans immediately required for their cultivation operations. It is understood that a large number of applications for crop loans are already pending before Government. These should serve to show that any further loss of credit is bound to jeopardize agriculture. I may also point out that the Economic Depression Enquiry Committee in their report at pages 124 and 125 have said "In fact this would necessitate the declaration of a moratorium. The effect of such a declaration would inevitably be to injure trade and industry by making merchants and others particularly those outside the State unwilling to enter into contracts which it might

prove exceedingly difficult to enforce. To this would have to be added the uncertainty created in the public mind by the interference of the Government with private contracts.' *

11. Agricultural credit in Travancore is so entwined with banking and trading industries that the slightest disturbance on the one must have its repercussions on the others. Mr. S. Krishna Aiyer B A., & B. L., High Court Vakil & President of the Indian Planters' Association, states. in his presidential address delivered at the annual meeting of the Alleppy Chamber of Commerce thus :—"Even for daily needs the agriculturist is generally dependent on credit with the trader. Goods distributed to the agriculturist, are taken on credit by the shop-keeper who himself gets credit through a chain of traders, who again are financed by banks, which in their turn are dependent on the confidence of the depositors. If any one link in the chain breaks the whole system of credit and distribution breaks down." It is a matter of common knowledge that, thanks to the labours of the Travancore National Bank Ltd., the Quilon Bank Ltd., and a few other banks, a large amount of capital from British India is now available in Travancore. As Mr. S. Krishna Aiyar has pointed out "Travancore has not capital enough to finance even a part of its commerce. With the shrinkage of credit, imports of rice and paddy and other food stuffs would dwindle. The Travancore trader seeking credit will be ment at every turn by the rebuff 'sorry we can't extend the credit to Travancore, as there is no security of property or commercial obligations in your State.'"

12. It has to be noted that the present enquiry is restricted in its scope and is concerned with the prevailing distress only to the extent it affects the agricultural industry in the State, I have already stated that several of the agriculturists have other subsidiary sources of income. The additional income on that account must ordinarily be sufficient to make up for the loss consequent on the fall in prices. Such debtors do not, therefore, fall within the scope of this enquiry.

*The Economic Depression Enquiry Committee have not said so. It is an extract from an order of the Cochin Government regarding *Kuries*. In the very next paragraph of that Report, however, there is another extract to the effect that, in case other measures fail to mitigate the sufferings of the people, extraordinary methods may be tried. —*Chairman.*

13. There is another aspect also to be considered. The main idea, underlying the constitution of this Committee is to prevent the lands of the agriculturists falling into the hands of the non-agriculturists. It will be humanly impossible for any agency to clear off all the debts of the agriculturists. The only thing possible will be to aim at the good of the maximum number. Having the above considerations in mind, I would classify debtors into 3 classes:—

(1) Those whose debts exceed their assets. Such persons cannot be saved. As observed by Mr. Sathianathan I. C. S., in his report to the Madras Government "They have by their own fault forfeited the right to hold land. They have grossly neglected their holdings and squandered their profits and their borrowings on unproductive purposes. Nothing but good can come from the land passing from such incorrigibles to those who are better equipped by character and finance to cultivate such holdings properly".

(2) Those whose debts are small when compared with their assets. Such persons do not stand in need of special protective measures. They can command the necessary credit and discharge their debts provided there is the will.

(3) The third class and the only one which needs relief represents those who can be saved, but only with the help of Government. The relief measures should hence, be confined to this class of debtors only.

14. I shall now proceed to discuss the views and recommendations of the majority of the members of the Committee in the Report and to state my views on matters on which I dissent.

15. *The plight of the agriculturist.*

I do not endorse the view in the Report, that a very considerable proportion of the loans taken by the agriculturists was invested in the purchase and improvement of lands. My view is that fall in the value of agricultural products, higher education, general improvidence, litigation and aversion to manual labour have largely contributed to the present plight.

16. *The terms agriculturist and agricultural debt.*

The definitions given to the two terms in the Report are so wide that almost every man in the State is an agriculturist and almost every debt is an agricultural debt. Agricultural debt as defined therein would include debts borrowed even for purposes such as (*a*) sending a son to foreign countries for higher studies (*b*) running a motor bus or boat service (*c*) huge sums given as dowries for marriages (*d*) putting up palatial mansions etc. I have already pointed out in para 12 *supra* that those who have subsidiary occupations do not fall within the scope of the enquiry, as their income from such occupations make up for the loss, if any, in agricultural income. It is the small cultivator and not the big speculator that is entitled to consideration. The evidence of disinterested witnesses like Messers. Changanachery Parameswaran Pillai B. A., & B. L., K. G. Sesha Aiyar B. A., & B. L., retired High Court Judges, and Mr. Pattom A. Thanoo Pillai B. A., & B. L., High Court Vakil, shows that the object of legislation should be to exclude relief to the improvident debtor and grant relief, if any, to debts incurred purely for purposes of cultivation as distinguished from capital and speculative investments such as purchase of land, motor cars, motor boats, reclamation of Kayals, plantations of rubber, tea etc. Debts incurred for litigation, social functions and higher education can by no stretch of imagination, be called agricultural debts. The majority of the Committee while recognising the necessity of differentiating purely agricultural debts, from agriculturist's debt point out that there are practical difficulties in finding out what debts are agricultural and what not. However, they have found it possible to distinguish debts incurred for purposes of trade or other occupations by which the agriculturist supplements his income from really agricultural debts. It is not easy to see why what is possible in the one case is not possible in the other. It is observed from the terms of reference to the committee that commercial and other kinds of debts of the agriculturist are outside the scope of this enquiry. The majority have clearly enlarged the scope of the enquiry by treating all the agriculturists' debts as agricultural. I am therefore constrained by the scope of the reference and by the consideration mentioned above, to restrict the term agriculturist, for the purpose of this enquiry, to those whose annual

income from sources other than agriculture does not exceed Rs. 500, whose aggregate income from all sources does not exceed Rs. 1,000 as in Mysore and the Punjab. Having now had the advantage of going through the statistics embodied in the main report, I am inclined to restrict the scope of the relief measures to debts below Rs. 6,000. Agricultural debts may be defined as debts incurred for purposes of cultivation, pure and simple.

17. The importance and the advantage of this restricted definition will be appreciated in the light of the practicability of the remedial measures discussed hereunder. The success of any scheme of debt relief depends entirely upon ensuring payment of the conciliated debt in cash by a financial agency. It is impossible to suggest any such financial agency as could take up all the debts and be a single creditor of the whole pupulation irrespective of all considerations. The very magnitude of the proposal is enough for its rejection. Since the purpose of any remedy of a social evil must be the benefit of a very large number, the restriction of the maximum amount of debt in an individual case for which relief must be given would be of great advantage. The amount required for relief of a debt of one lakh of rupees which may be the conciliated debt of one individual debtor could be utilised to pay off the conciliated debts of several small debtors if the former class of debtors are eliminated from the purview of any relief measures. I think it is safer to leave such big debtors to adjust themselves with their creditors. Such debtors form only a small minority being only 3 --5 % of the debtor pupulation, but the volume of their debts is about 34. 4 % of the total debt. The debtors obtaining relief under the definition restricted as above will constitute the largest majority deserving relief and their debts can be liquidated without causing serious strain on the resources of such financial agency.

18. *Extent of agricultural indebtedness.*

The majority of the Committee state the total debt to be between 20 and 25 crores. If the debts above Rs. 6,000 amounting to about 34% of the total debts (*Vide* Table IV of the Statistical Appendix) are excluded for purposes of relief

measures as suggested by me, the debts requiring relief will be only about 13 to 16 crores. A further reduction of 21% in respect of the debts of those who are both debtors and creditors (*Vide* para 7 of the Statistical Appendix) will bring down the amount to 9—11 crores. When a further elimination is made of the debts of (1) those who have subsidiary sources of income (2) those who are beyond redemption (3) those who could stand on their own legs and (4) those having no properties at all and of debts incurred for non-agricultural purposes and the amounts involved in usufructuary mortgages, the extent of indebtedness for purposes of relief will be only about two crores.

19. *Direct financing by the State practicable.*

I have already discussed the practicability of a financial agency relieving the majority of debtors deserving the same. The creditors who appeared before the committee have expressed their willingness to forgo a portion of their claims provided cash is paid. If that is not to be, any measures that may be adopted can only be merely palliative and cannot bring substantial relief to the indebted agriculturists. I am emphatically of opinion that any scheme of debt relief should have attached to it an institution which will be capable of financing the agriculturist at low rates of interest and for long terms of repayment. No private agency will be in a position to do so. Further, in the peculiar nature of the Travancore ryot, it is absolutely necessary that some sort of compulsion be brought to bear upon him to clear off his debt after bringing it within the possibility of easy repayment. The Revenue Recovery Regulation is the only effective weapon to lessen the debt year by year. Hence I would say that the Government and Government alone can, without detriment to themselves, effectively undertake the place of such an agency.

20. *Debt Conciliation Boards.*

The establishment of debt conciliation boards is bound to be beneficial, provided the right kind of men are taken and adequate safeguards are made. The object is to bring the debtor and creditor together and settle their claims amicably which means that the men chosen should be such as by their

influence and character may be able to command confidence in both parties. Care has however to be taken to see that the proceedings before the board are not delayed, it being made clear that on no account should they be delayed longer than three months, after which it should be open to either of the parties to ignore the proceedings and seek remedy in a court of law with out having to suffer any penalties whatsoever on that account.

21. I would also in this connection invite the kind attention of the Government to the fact that there is an impression current that it is not easy to get the right kind of honorary workers who can take a dispassionate view of things who are above influence and corruption and who will be able to exercise their influence over the debtors and creditors alike. I would therefore suggest that the scheme may for the time being, be confined to one or two select areas and may be extended to other places, if the experiment proves successful. Pending the constitution of boards in other areas, it may be arranged that in cases where agreements are come to among the parties themselves such agreements when attested by any person authorised on this behalf by the Government are treated in the same way as the agreements recorded by a conciliation board duly constituted.

22. The powers given to the boards are very wide and are not in keeping with the principle adopted by the Committee that conciliation should be voluntary. I am, therefore, for restricting the scope and powers of the board as indicated below :—

(1) It shall not be competent to the board to record a decision or certificate unless creditors to whom at least 50% of the debts are due, do appear before the board or come to a settlement.

(2) The consent of both parties must be a condition precedent for the courts sending a suit or decree to the board except in cases where the creditors, to whom the major portion of the debts are due, are already before the Board.

(3) any offer by the creditor to take a conciliated amount in consideration of receiving cash payment or otherwise should under no circumstance be allowed to prejudice him in the event

of the non-fulfilment of the conditions subject to which the offer was made.

(4) The maximum period to be fixed by the board for the payment of the money in instalments, when so necessary, should not exceed ten years.

(5) If it appears to the Board in the course of the enquiry that the debtor has attempted or is attempting to defeat his creditors either by suppression, concealment, or withholding of any portion of his assets by deeds of settlement, gift etc., (benami or otherwise) or by colluding to false claims being set up, the board shall simply dismiss the application.

(6) The board shall on no account reduce the amount legally due to the creditor if there is no possibility of liquidation in cash within three months.

(7) In cases in which the board finds either that the debtor is so overburdened with debt as to be beyond redemption or that the debtor is one who can stand on his own legs without any relief or that the debt of an individual exceeds Rs. 6,000, the application shall be dismissed.

23. A provision similar to the one under section 12 of the Punjab Relief of indebtedness act has also to be inserted. It runs thus :—

> "Provided that the Board may at any time dismiss the application, if for reasons to be stated in writing, it does not consider it desirable to attempt to effect a settlement between the debtors and creditors."

24. The necessity for such a rule will be apparent from the hypothetical case given below :—

> "A, a debtor has dealings with several creditors. A suit is pending between A and one of the creditors in a civil court in which complicated issues, concerning even the title to a portion of the assets which cannot be easily solved by laymen are in question."

The conciliation board has to dismiss the application since the extent of the assets of the debtor, on which only the board could act, could be ascertained only after the disposal of the suit.

25. The suggestion given to the board in regard to the lines of conciliation that 25 per cent of the assets of the debtor should be left to him free of all encumbrances would in many cases have the effect of cutting down the amount by over 50 per cent since the value of land has fallen down considerably. This clause has therefore to be deleted.

26. *Rates of interest and retrospective legislation.*

The impropriety of any interference with the existing rates of interest will be clear from the observations made in paras 5 to 11 supra. The analogy of British Indian Provinces and other Indian States is inapplicable to Travancore where usury is practically unknown. The reasons given by the majority of the Committee for interfering with the existing rates are (1) appreciation of money value, (2) the return from land is below 12 per cent and (3) the money lender now gets more by way of interest than the agriculturist from his lands.

27. In regard to the supposed appreciation of money value, I have to state the wants of a creditor are not confined to the articles of food alone. The major portion of his budget remains unaffected. The cost of education, medical fees, court fees, railway fare, dowry, gold, social functions and other necessities have not in any way been materially affected by the fall in prices. All over the world investments in land are the safest and consequently the returns the lowest. Dealings in money involve considerable risks. To argue as the majority of the Committee have done that the interest on loans should on no account exceed the return from land is to ignore obvious truths and to hope for the impossible. Appended is a statement giving information concerning the rates of interest recommended by the majority of the Committee and those enforced or attempted to be enforced in some Provinces in British India and Indian States. It could be seen therefrom that the maximum rates of interest allowed by law in Travancore are even lower than the reduced rates elsewhere. It has also to be noted that in other parts of British India and Indian States, legislature has aimed at curbing usury which is unknown in Travancore. The arbitrariness of the measures suggested by the majority of the Committee will also be apparent from the following facts.

(1) Absolutely no consideration has been paid to the creditor.

(2) The proposals made by the Committee in regard to interest on transactions prior to and after 1105 are not in accordance with the general principles enunciated by them in the Report, the interest in both the cases being almost indentical.

(3) The proposal of the committee to reduce the interest on transactions prior to 1105 to half the contract rate or 4 per cent. whichever is higher operates as a punishment to the benevolent creditor as the following illustration will show : —

A owes B Rs. 1000 at 12 per cent. interest. C owes D Rs. 1000 at 8 per cent. interest. By the application of the rule the benevolent creditor D gets only 4 per cent. while B gets 6 per cent.

(4) The dishonest debtor who successfully evaded payment of interest is placed in a more advantageous position than the one who stood by his obligations.

28. The proposal of the majority to fix the commencement of the depression for purposes of relief at 1105 is not in accordance with facts.* The Economic Depression Relief Measure Committee, Cochin, have fixed it at 1107 and that for a good reason. Till 1107 the Imperial Bank rate for loans on the security of fixed deposits and Government paper was 8 per cent as could be seen from the table given below, which is proof positive that the money market was tight and the flow of capital scarce.

Imperial Bank rates.

20-11-1930.	(Vrichigom 1106)	6 per cent.
15- 1-1931.	(Dhanu 1106)	7 per cent.
28- 5-1931.	(Medom 1106)	6 per cent.
6- 8-1931.	(Karkatagom 1106)	7 per cent.
22- 9-1931.	(Chingom 1107)	8 per cent.
14- 1-1932.	(Dhanu 1107)	7 per cent.
25- 2-1932.	(Makaram 1107)	6 per cent.
28- 4-1932.	(Meenom 1107)	5 per cent.
7- 7-1932.	(Mithunam 1107)	4 per cent.
6- 2-1933.	(Makaram 1108)	3½ per cent.

* In para 2 above, the member has stated that 'it is an admitted fact that the great economic depression has prevailed in the country, during the past five or six years.' This takes us back to 1105.— *Chairman*

29. Retrospective legislation is a radical interference with the substantive law of the land which is bound to distrub credit, and to react on the reputation of the State for commercial morality. The evidence of many respectable and disinterested witnesses also supports the above view.

30. In connection with the fixing of the rate for the future, the majority of the committee seem to have lost sight of the fact that the measures proposed by them relate only to the agriculturists. The existing rates of interest will remain unchanged so far as others are concerned. The result will be that the available money will flow into their hands rather than to the needy agriculturists.

31. There is also the possibility of resorting to dishonest means for the evasion of law which, it should be the endeavour of these interested in the State to avoid.

32. In regard to the rates for the future, I am decidedly of opinion that they should be fixed on the level of those prevailing in Cochin and the neighbouring British Indian Districts and that there should be a uniform rate for all classes of people in Travancore irrespective of the profession they follow.

33. *Recovery of debts in instalments.*

I am in accord with the conclusions arrived at by the majority committee except in regard to the maximum period fixed and the direction proposed to be given to courts to exercise their discretion in favour of the agricultural debtor in some cases. I think that twenty years is too long a period for the purpose. In Mysore the period fixed is 8 years. Under the law now in force, the life of a decree extends only up to 12 years. Conditions are changing every moment and complications are sure to arise in the event of the period being unduly prolonged. I would fix the period at ten years. Seeing that ample discretion has been given to the courts it is not wise to fetter them. The foot note may therefore be deleted.

34. *Sales of properties in Court auction.*

From the creditor's point of view the suggestions made by the committee are the hardest cut of all. The following illustration will make the point clear :—

> A owes B Rs. 10,000. By conciliation and other means, this amount is brought down to Rs. 7,000. In view of this B is asked to take a property worth Rs. 4,000 in full satisfaction of his claim. This practically cuts his amount down to 40 per cent. This is too drastic a measure to be introduced.

35. I do not think there is any necessity for such a measure. The majority of the committee say, in justification of the measure, that the debtors are bound to lose heavily in case their properties are put up to auction and sold for the current prices. But they seem to have ignored the ample descretionary powers proposed to be vested in courts and the fact that it is only as the last resort, when all other means fail, that courts would allow of the properties being auctioned.

36. There is another point to be considered in this connection. It is well known that except for a period of ten or fifteen years after the great European war, price of land has remained almost uniform. There is no knowing if conditions are going to improve even and if at all at any time in the near future. Even expert economists are unable to answer this question. How under the above circumstances, it could be presumed, as the committee has done, that existing conditions are shortlived is beyond my comprehension. I am therefore against the conclusion, arrived at by the Committee in regard to the sales of properties.

37. *Paddy loans.*

The recommendations made by the committee in regard to paddy loans are equally drastic, impracticable and unkind. The principles enunciated by them in regard to money loans have been entirely ignored and they have lost sight of the fact that paddy loans are indispensable for agriculture in Kuttanad. The analogy of the Punjab and the United Provinces does not

hold good in Kuttanad where payments to the labourers are made in kind and in kind only. This system by itself is very wholesome and it may not be wise to do away with it as the majority of the members of the Committee seem to wish. It seems to me that the implications of the steps proposed to be taken and the consequences that might result there-upon have not been properly understood. To make my point clear I shall briefly narrate the nature of Kuttanad cultivation, how paddy loans are obtained, how they are repaid and what purposes they serve.

38. *Punja cultivation.*

The last step in the operations is ploughing. This is mostly done in the months of Medom to Kanni. Payment for ploughing is made wholly in paddy. The next step is the improvement of the bunds which is usually done in the months Chingom to Thulam. The wages to the labourers are paid in kind so also the value of the twigs and shrubs required therefor. Advances to labourers are usually made in Karkatagom and that also in kind. Pumping out the water is usually done in Vrischigom and Dhanu. Till a few years back water wheels were being used and the wages to the work men employed therefor used to be paid in the shape of paddy. Water wheels have now been mostly replaced by engines for which payments are made in cash. The expenditure for the remaining cultivation operations such as repairing the inner bunds, sowing, transplanting, reaping, threshing etc., is wholly met in kind.

39. Excepting small holdings which are cultivated by the owners themselves the major portion of the large holdings are cultivated not by the owners but by the tenants, the pattom being usually fixed with a fair margin as remuneration for the lessee. Most of the agriculturists subsist solely on the profits obtained by cultivating the lands of others.

40. The harvest will be over by the end of Medom. In Edavom or Mithunam, the cultivator goes to the land owner or any other lender of paddy and applies for a loan of the paddy required for his next cultivation operations. The amount is fixed and the terms are settled. The document is drawn up immediately or later according to the convenience of the parties and the

cultivator draws from the creditor paddy according to his requirements for the several stages in connection with the cultivation operations. Thus the paddy required for ploughing is loaned out from Mithunam, that required for bunding etc.. in Chingom and so on. Practically the creditor reserves a stock for the cultivator's requirements which the latter draws according to his needs from Mithunam to Dhanu. Repayment of the principal and interest is invariably made in kind soon after the harvest. The same arrangement continues year after year from time immemorial.

41. The advantages of this arrangement are

(1) Repayment is easy, and

(2) The temptation to squander away paddy is lacking, since paddy is drawn only according to requirements.

42. The accounts of any of the big creditors in Kuttanad will show that this state of affairs continued without any hitch and that repayments of debts were in most cases regularly made till the price of paddy more than doubled itself during the period succeeding the war. When the prices of paddy went up the temptation to withhold a portion of the paddy was too strong for most of the debtors to resist and in consequence debts began to accumulate, the money obtained by the sale of paddy thus withheld being squandered away or invested in speculative and improvident undertakings. This paved the way for the heavy indebtedness of many an agriculturist for which, as could be observed, the creditor was in no way responsible. It may also be said in fairness to the creditors that even when high prices were ruling the market, thus giving them an opportunity of doubling or trebling their fortune by selling all the paddy they had, they kept up the usual custom of reserving the major portion of their paddy for being loaned out for the next year's crop at considerable sacrifice.

43. I shall now proceed to discuss the recommendations of the Committee in regard to paddy transactions. In the case of money loans the committee has thought it fit to state as one of the main considerations justifying the reduction of interest,

appreciation of money value. Before 1105 paddy was selling at high prices and it is not worth even half of what it was then. As the result the creditor now gets much less in money value than even the principal he advanced several years ago. It is regrettable to note that the Committee have studiously avoided this aspect of the matter.

44, There are other circumstances besides, which might have either escaped the notice of the committee or which they have not cared to take notice of. I refer to the expenses and losses incidental to the creditors stocking and preserving a large quantity of paddy for being loaned out to the debtor to meet his requirements. It is a matter of common knowledge that

(1) A certain proportion of the paddy stocked shrinks on account of driage and some portion of the paddy gets spoiled.

(2) The creditor has to spend about 2 to 3 per cent on account of hire of granaries for storing the paddy so as to meet the timely requirements of the ryots.

(3) Rats do considerable havoc on paddy stocked.

(4) A good sum of money is spent year by year for the maintenance of the buildings which get damaged owing to the stock of paddy. It is a pity that these facts which could be proved by a perusal of the accounts relating to Kandukrishi granaries have been lost sight of in the report. Their proposals are unworkable and if given effect to would, I feel sure, put a stop to paddy loans which is bound to create a dead-lock in Kuttanad and the consequences will be disastrous. No interference with paddy transactions is called for. I may, in this connection, state that the Cochin committee has wisely avoided interfering with paddy transactions. There is no objection what-so-ever to the use of all "para" measures other than the standard para being prohibited as prayed for by some of the debtors.

45. *Remedial measures.* I have in the preceding paras dealt with the general aspects of the problem and have expressed my views on the measures suggested by the majority of the Committee. I have also pointed out the necessity for confining the relief to

debts incurred purely for agircultural purposes and for the definition of the term "agriculturist" being restricted. The necessity for dividing debtors into three classes and my view to restrict the scope of the measures to the third class, *viz* those, that could be saved only with the help of the Government, have been explained. The evils that may arise by making any arbitrary and invidious distinctions between the several classes of creditors have also been set forth, The fact that paddy transactions stand on an entirely different footing and that any interference with the existing arrangements except in regard to the standardisation of the parah is sure to dislocate the agricultural industry in Kuttanad, has also been pointed out. I shall now proceed to express my views on the relief that could be given to debtors without at the same time affecting credit and causing material harm to the creditors.

46. The fall in the value of the agricultural produce being admittedly primarily responsible for the existing state of affairs, it behoves the state to find out ways and means to stabilise prices. It is a matter for gratification that the Government are doing their utmost in the matter of coconut and it may be hoped that their labours will bear fruit at no distant date. In regard to paddy, the position is even worse. A large quantity of foreign paddy is being dumped into the market and as long as this is tolerated the agricultural industry is bound to suffer. The imposition of an effective tariff barrier against the imports of rice and paddy as suggested by Mr. Sathianathan will go a great way to improve the existing conditions.

47. For purposes of relief, debts may be divided into the following classes :—

(1) Debts charged on immovable property such as (*a*) Usufructuary mortgages and (*b* simple mortgages.

(2) Unsecured debts in cases where the debtors have properties sufficient to raise the funds required to pay off the debts by mortgaging the properties to the Land Mortgage Bank.

(3). Unsecured debts where the debtors have not property enough to raise funds by such mortgage to pay off the entire debt.

(4) Debts of those having no properties at all.

(1) (*a*) *Mortgage with possession.* I agree with the views of the majority of the Committee that the creditor should be prevented from proceeding against the other properties and the person of the mortgagor, that he may sue for foreclosure, that the benefit of this concession may be applied even to cases where a decree has already been passed for the sale of the properties and that transactions which are intended to be merely hypothecations but which are apparently usufructary mortgages may be considered as simple mortgages.

(*b*) *Simple mortgages.* The properties mortgaged may be mortgaged to the Land Mortgage Bank and the amounts so obtained may be distributed among the creditors in the shape of Debenture Bonds carrying 4 per cent interest free of income tax. The Bank may charge 5 per cent interest and the debt may be arranged to be paid in easy instalments extending to a period of 30 years. Should, however, the debt exceed the amount that could be advanced from the Bank, other properties, if any, belonging to the debtor may be mortgaged to the Bank to the extent required for paying off the entire debt. If there be any balance still left, the excess amount may be arranged to be paid at 5 per cent interest in easy instalments, the period being fixed at not more than 10 years. The Bank of course, shall have a prior charge.

(2) *Unsecured debts of those who have property enough to pay off their debts.* A provision may be made that if the debtors do not pay up their debts within a specified period they will not be entitled to any relief. If the debtors mortgage properties sufficient to discharge their debts, debenture bonds may be issued to the creditors from the Land Mortgage Bank to the extent of the amounts due to each.

(3) *Unsecured debts of those who have not property enough to cover their debts.* The debtor must mortgage his entire properties to the Land Mortgage Bank and the money payable may be distributed among the creditors either in cash or debenture bonds, the balance, if any, due to the creditors being arranged to

be paid in instalments not exceeding ten years at 5 per cent interest. The unsatisfied creditors will of course have a lien on the equity of redemption of the properties mortgaged.

(4) *Debtors having no properties at all.* If the courts are satisfied that the debtors are really insolvents, they may be exempted from arrest. Exemption from arrest may also be allowed to those who are prepared to furnish proper security.

48. The net result of the above recommendations is to automatically reduce future interest on all past transactions to 5 per cent. By this arrangement both the debtor and the creditor are benefited, the former having to pay 5 per cent only for all his debts in future as against the 6 per cent fixed by the majority of the Committee, while the creditor gets a good portion of his money either in cash or in the shape of debenture bonds without having to undergo the trouble, expense and delay of law suits.

49. As a further measure of relief to the ryots, I would suggest that for purposes of conciliation, the interest due from Makaram 1107, the period when the depression became acute (*Vide* para 28 *supra*) may be fixed at 6 per cent or the contract rate whichever is less. This suggestion may at the outset seem to be against what I have already said concerning retrospective legislation. It is not so. My idea is that this should purely be a permissive measure. It is suggested in the main report that for some time to come, agreements recorded by the conciliation boards should receive preferential consideration at the hands of the Land Mortgage Bank. Any recalcitrant creditor who does not agree to the above reduction of interest will not have the benefit of getting his dues through the Land Mortgage Bank. The only course open to him will be a regular suit in a court of law. There need be no fear that the debtor will be easily driven out of his holding by a recalcitrant creditor in the event of his seeking redress in a court of law, since ample discretionary powers are proposed to be vested in courts. I feel sure that the prospect of getting a good portion of their dues either in cash or in debenture bonds without having to undergo the trouble, expense and delay of a law suit is sure to induce most of the creditors to agree to the reduction of the interest suggested above.

50. As regards the interest on future transactions, I have already stated that the rates have to be fixed with reference to the rates prevailing in the Cochin State and the adjoining British Indian Districts. I think the maximum rates to be allowed may be fixed at 9 per cent for secured debts and 12 per cent for unsecured debts. As regards paddy transactions 10 per cent and 12 per cent may be fixed for secured and unsecured debts respectively.

51. Banks play a great part in rural economy and stand to lose heavily in the event of a compulsory and substantial reduction in the rate of interest. The rates of interest fixed for the future 9 per cent for secured debts and 12 per cent for unsecured debts may apply to them also. In the cases of transactions in which the creditors are banks or co-operative societies, the rates of interest may for purposes of conciliation be fixed at the maximum of $10\frac{1}{2}$ per cent seeing that there are several instances of banks having taken deposits at 9 per cent interest with annual rests and in view of the risks incidental to such an undertaking.

52. In cases in which the Land Mortgage Bank does not come to the rescue of the debtor and creditor, the debtor may be given the benefit of the reduction of interest proposed from Makaram 1107 and of the instalment payments, provided the creditor will on application to a court of competent jurisdiction be entitled to be put in possession of the mortgaged property as receiver in the event of default being made in the payment of the instalments. In such cases interest may be fixed at 6 per cent from Makaram 1107. The property thus delivered to the creditor may be arranged to be redelivered to the debtor if the dues are paid within a reasonable time to be fixed by the court.

53. The concessions proposed in paras 47, 49, 51 and 52 shall be applicable only to transactions that have been entered into before Makaram 1107 and to such subsequent transactions as are only renewals of the former. New loans made subsequent to Makaram 1107 stand on a different footing and there will be no justification for any reduction of interest in such cases.

54. In considering the measures to be devised to relieve the agriculturist from his present plight, it may not be out of place

for me to point out that for a long time past the ryots of both Kuttanad and Nanjinad, have been repeatedly representing to the Government praying for relief from heavy taxation. The representation from the Kuttanad ryots is in respect of the high rates of assessment on some of the newly reclaimed Kayal lands, while the cry of the Nanjinad ryot is in respect of the high rate of taxation and the *Kottah* measure used for purpose of commutation of the paddy tax. In regard to the Kayal Reclamations it has been a standing complaint that some of the new reclamations have been classed at the 12th *tharam* while the majority of the new reclamations and all the pre-settlement reclamations have been classed as the 13th *tharam* only. The report of the Economic Depression Enquiry Committee wherein facts and figures concerning Punja lands and particularly Kayal lands are given, will show that the tax at the 12th *tharam* presses hard on the poor agriculturists. This matter has been brought to the notice of Government on more occasions than one without success and it is understood that a reference on the subject is still pending with the Government. Similarly the cry from Nanjinad about the incidence of the high taxation on the wet lands there and about the *Kottah* measure adopted for purposes of commutation has been one in the wilderness. Now that Government have taken up in right earnest the amelioration of the condition of the agriculturist population, it behoves them to go into the above two questions sympathetically and do justice to the ryots.

55. Another matter which I beg leave to bring to the notice of the Government in this connection is the necessity for adequate representation of genuine agriculturists in both the houses of the legislature. It will be a great relief to the agriculturist population if the Government nominate at least two representatives from the important agricultural centres to each of the two houses of the legislature.

M. K. ANANTHASIVA IYER.

Schedule of rates of interest.

Place.	*Rate for secured debts.*	*Rate for unsecured debts.*
Cochin	7½ per cent up to Rs. 1,000 6 do. above Rs. 1,000	9 per cent
Bhavanagar	12½ do. for all debts.	
Mysore	Interest as per contract rates.	
Madras	9 per cent (only for loans below Rs. 500)	15 per cent.
The Central Provinces	12 per cent (rests at less than 6 months prohibited)	18 per cent
The Punjab	12 per cent simple	18¾ per cent simple.
	9 do. compound	14 per cent compound.
United Provinces	12 do. (rests 6 months)	24 per cent.
Bengal	15 do. (rests 6 months)	25 do.

M. K. A. I.

Appendix II.

QUESTIONNAIRE

issued by

The Travancore Agricultural Debts Redemption Committee.

[*N. B.*—1. As the Report of this Committee has to be submitted to the Government at an early date, it is requested that the answers to the following questions may be sent to the Secretary to the Committee, Trivandrum, so as to reach him on or before the 31st Meenom 1110.

2. It is also requested that answers should be given from your experience of the locality, or localities in Travancore with which you are familiar.]

I. The Nature, Extent and Causes of Agricultural Indebtedness.

1. State how, in what manner and to what extent indebtedness has affected the agriculturists and the percentage of agriculturists who are free from debt?

2. (*a*) What, do you consider, are the chief causes of agricultural indebtedness?

(*b*) Please state, wherever possible, the purposes for which agricultural indebtedness was incurred, such as :—

(i) Payment of earlier debts,

(ii) Marriage and other social occasions,

(iii) Failure of crops, whole or partial, due to floods, drought etc.,

(iv) Payment of land revenue and jenmi dues,

(v) The yearly maintenance of estates, the produce of which has ceased to be of any commercial value on account of undue fall in prices,

(vi) Growth of the debt by compound and simple interest,

(vii) Purchase of seeds and manure,

(viii) Improved agricultural implements,
(ix) Agricultural improvements,
(x) Education of children,
(xi) Purchase of land,
(xii) Litigation,
(xiii) Extravagance.

(*c*) What proportion of total debt would you attribute to all or any of the above purposes ?

3. (*a*) Is it usual to incur debts for current cultivation ? Are such debts ordinarily repaid when the year's crops are taken ? If not,how are they repaid ?

(*b*) Are such debts borrowed from agriculturists or from professional money-lenders ? If from both, what will be the proportion of each class ?

II. Agricultural Finance.

4. Describe the part played in agricultural finance by Government, the Imperial Bank of India, joint-stock banks, co-operative banks, indigenous banks and bankers, professional money-lenders, agriculturists who lend money, merchants and dealers and other organizations giving credit ?

5. Can you give an estimate of the proportion of money lent to agriculturists by the professional money-lender, as distinguished from and compared with the money-lender who is either an agriculturist or a trader and not a professional money-lender ? Explain their methods of advances and recovery of loans.

6. To your knowledge, what are the various terms of borrowing from professional money-lenders and others ? And how are repayments of principal and interest made ? Does repayment in kind predominate ? Are there any iniquitous conditions attaching to repayment, such as claim by creditors of the right to take and sell produce at ruinous rates and so on ?

7. Is money lending business attended with risks ? If so, in what ways ?

8. (*a*) Is the money-lender a necessary element, so far as the agriculturist is concerned ?

(*b*) Is there any difference in the method in which lending business is being transacted by money-lenders and banks ?

(*c*) What are the rates of interest that prevail ?

(*d*) Do you think there is any possibility of money going out of Travancore in case shackles are thrown on the money lending profession in Travancore ?

(*e*) Would you consider it advisable to restrict the agriculturists' power of borrowing ? If so, in what manner and to what extent ?

III. The Depression and the Value of Land.

9. How far have the present depression in the value of land and the fall in the prices of agricultural produce affected the position of the agriculturists ?

10. What is the present value of land as compared with the value five years ago, ten years ago, and twenty years ago ?

11. To what extent is land mortgaged by agriculturists as security for debt ?

12. Has the depression led to increased borrowing ? Do you think that the fall in the value of property and the increase in the purchasing power of money have led to marked contraction of credit, especially on the mortgage of immovable property ?

13. (*a*) Has land changed hands during the last four years to a greater extent than previously ?

(*b*) Have any instances come to your notice of land on a large scale passing from the agricultural to the non-agricultural classes, on account of the present depression and the indebtedness of the agriculturists ?

14. Do you consider the position of the agriculturists as regards indebtedness such as to cause grave alarm ? If so, give reasons ?

IV. Civil Suits and Judgment Debtors.

15. Has the depression led to a marked increase in the number of civil suits for recovery of loans ?

16. (*a*) Do you think that the present practice of the arrest of civil debtors in execution of decrees based on Otti, Chittotti, Hypothecation and similar transactions charged on land stands in need of modification? If so, what are your suggestions?

(*b*) In the case of simple debts, what methods would you suggest to recover money without the arrest of debtors?

(*c*) In the case of simple debts, can the debtor be exempted from arrest, in case he offers security?

(*d*) In the case of debtors having no properties to offer as security, can they be allowed the concession of repaying the debt in instalments? If so, in how many instalments?

(*e*) In the case of moneys due to co-operative societies, is it desirable to abolish coercive proceedings? If so, how can the loans be recovered?

V. Depression and Production.

17. (*a*) Has there been any decrease in the yield from lands in the country?

(*b*) What are the causes of such decrease, if any?

(*c*) Has such decrease contributed to agricultural indebtedness and if so, to what extent?

VI. Return from Investments on Land.

18. (*a*) What percentage is ordinarily considered to be a good return on investments on land? (Return means *pattom* realisable on land *minus* Sirkar tax and jenmi dues).

(*b*) What percentage was being realized as return on money investments on land that were made during the period 1100 to 1105?

(*c*) What percentage in now being realised on the same investments?

VII. Rates of Interest.

19. (*a*) Do you think that the maximum rate of interest permissible under law, in respect of money and paddy loans should be lowered by legislation? If so what should be such lower rate and what are your reasons?

(*b*) If the rates of interest on loans are lowered by legislation, how, in your opinion, will it effect the price of land ?

(*c*) Do you consider that any distinction has to be made regarding the re-payment of money and the rate of interest payable in respect of transactions prior to 1105 and those subsequent to it ?

20. (*a*) What is your view regarding a proposal that no creditor should be entitled to anything in excess of the principal of the root transaction *plus* half that amount in full satisfaction of the debt, whatever may be the period for which the loans might have been outstanding and whether or not a decree has been obtained for the debt, with future interest and costs, if any ?

(*b*) Should any interest paid by a debtor, as a matter of fact, in excess of half the principal amount, be compelled to be repaid to him ? If so, from what period ?

(*c*) In case you are of opinion that the rate and amount of interest should be reduced, what should be done in the case of banks and such other institutions which have already realized interest on loans at agreed rates and paid dividends ?

VIII. The scope of possible relief.

21. (*a*) What are the classes of debtors that should be brought within the scope of any agricultural debt relief measures?

(*b*) Would you recommend relief to every agriculturist debtor, irrespective of his total income from all sources or would you recommend the exclusion, from such relief, of any debtor, having regard to the amount of his total income ? If so, what is that amount ?

IX. Bank Rates.

22. (*a*) What rates of interest do banks now pay on deposits?

(*b*) What rates of interest do banks charge on loans ?

(*c*) Do banks advance loans to agriculturists on pro-notes as well as on the security of movable and immovable property ?

(*d*) If so, for what periods do they advance ?

(*e*) Are there agricultural banks in this country ? Please mention them.

(*f*) Are banks now more inclined to lend on pledge of gold and less on pro-notes? What is the reason therefor?

(*g*) Is there evidence of any abnormal tendency to pawn gold in order to meet cash obligations?

23. (*a*) Are you aware that some banks and money-lenders charge *Vattom* and commission on loans? If so, would you penalise the practice by legislation?

(*b*) Would you penalise also the charging of any interest in excess of the maximum rates allowed by law?

X. Chitties.

24. (*a*) What is your opinion with regard to the view that, under present conditions, it is difficult for agriculturists to carry on chitty transactions?

(*b*) How can relief be afforded to both the foremen and subscribers in their present difficulties, in connection with chitties?

(*c*) Do you consider it advisable to allow new chitties to be floated in the present circumstances, and do you consider it advisable to prohibit agriculturists from entering into chitty transactions?

(*d*) Do the joint stock banks conduct chitties? Do they experience the same difficulties, as are now faced by the foremen and subscribers of chitties floated by private gentlemen? Do the subscribers find it difficut to realize the bid amounts from the banks or co-operative societies or private individuals? If so, what suggestions would you offer?

XI. Indebted Planting Estates.

25. (*a*) In the case of rubber and tea estates, is it usual to advance loans to the owners of such estates on the security of the year's crops? If so, what are the terms of repayment?

(*b*) Such loans having been advanced on the basis of the anticipated crops of the year, what is to be done when the prices of such crops have fallen or when they have ceased to be marketable at all?

(*c*) Is it possible to arrange that, in view of falling prices, the loan advanced on a year's crops, should be paid off from the crops of the subsequent years?

(*d*) If so, what suggestions would you make with regard to the payment of the interest on such loans ?

XII. Debt Bonds.

26 (*a*) What is your opinion in regard to a suggestion that Government should take over the debts of the agriculturists, the Government issuing irredeemable negotiable bonds to the creditors for the debt amounts and realizing those amounts from the debtors in 25 or 30 annual instalments or in 50 or 60 half-yearly instalments ?

(*b*) Would you prefer the said negotiable bonds being made redeemable and if so, redeemable in how many years ?

(c) What interest would you propose for Government bonds,

(i) if they are irredeemable,

(ii) if they are redeemable ?

(*d*) If the Government are prepared to issue bonds to the creditors, do you think that the creditor will be agreeable to accept bonds for any amount smaller than the amount actually due to him in full settlement ? If so, on what terms ?

(e) If Government are prepared to take over the debts, as suggested in the previous questions, what rate of interest do you think that the debtor will be able or agreeable to pay to Government during the currency of the loan ?

(*f*) Supposing the Government do not find it possible to take over the debts and issue bonds, what other measures would you suggest for the relief of the debtors ? Would it suffice and would it be reasonable to legislate that the debts should be realized from the debtors in several instalments and if so, under what terms ?

XIII. Debt Conciliation Boards.

27. (*a*) What is the agency to examine and settle the debts which may be taken over by Government by the issue of bonds ? Do you consider that Debt Conciliation Boards are necessary for this purpose ?

(*b*) Is debt conciliation in any form now being resorted to as far as you know ? If so, to what extent ?

28. (*a*) Dou you consider that it is advisable and feasible to provide by legislation for the constitution of debt conciliation boards? Will the public welcome such legislation?

(*b*) Is the scope of such legislation to be limited only to debts charged on land, or should it include *all* debts of agriculturists?

(*c*) What do you consider should be the nature, constitution and powers of the debt conciliation boards?

(*d*) How many members should there be on the boards? How many officials and non-officials? What should be the status of the official members? What should be the functions of the members?

(*e*) Can the debt conciliation boards be allowed to take action in respect of debts which are in the trial, decree or execution stage in the civil courts? If so, do you consider that court proceedings should be stopped on recommendations to that effect from the debt conciliation boards?

(*f*) Should the decision of the debt conciliation board be regarded as final? How can such decisions be executed? Should it be through the civil courts?

(*g*) In view of the present depression, would you charge any fees on the cases that come before the debt conciliation boards?

(*h*) Is it desirable to permit the professional services of lawyers in the compounding of debts by the boards?

(*i*) Do you want debt conciliation boards in every taluk?

(*j*) If you have studied the working of debt conciliation boards or the legislative measures on the subject in any British Indian Province or in any Indian State, please give a brief resume of your study?

29. If compulsion is resorted to in compounding the existing debts of the agriculturists, do you think that it will tend to discourage future lending? If it will, what would you suggest for future credit, especially for the expenses of current cultivation?

XIV. Amendment to Law and Procedure.

30. (*a*) If you consider debt conciliation boards incapable in part or in full of meeting the situation, can you suggest any

amendment to the law and procedure now applied by civil courts, as regards the enforcing of contracts relating to indebtedness ?

(*b*) Are you in favour of any enactments restricting the alienation of land ?

(*c*) If any such legislation, whether relating to debt conciliation boards, law and procedure or alienation of land, is considered by you necessary, can you kindly offer your opinion on how such legislation is likely to affect, (1) the sanctity of private contract, (2) the facilities that now exist for borrowing ?

(*d*) If you consider that legislation is unnecessary or insufficient to meet the situation, can you suggest any other remedies which might be usefully adopted ?

XV. Land Mortgage Banks.

31. (*a*) If land mortgage banks are established at various and easily accessible centres, do you think that the problem of agricultural indebtedness will be solved to any material extent ? If so, what are the places you would suggest for the branches to be established ?

(*b*) Would you suggest any alteration in the rate of interest that is now charged by the Bank and the maximum amount up to which the bank will advance and in the rule that the Land Mortgage Bank would issue loans only for the discharge of secured debts ?

XVI. Other Suggestions.

32. In case you can offer any views on the subject, not covered by the above questions, will you, please, add a general note about them.

Appendix III.

Proceedings of the Government of His Highness the Maharaja of Travancore.

Read :—

i. Memorandum presented to the Dewan by a deputation of non-officials on the 15th November 1934, containing a scheme for the relief of agricultural indebtedness in the State.

ii. Minutes of the conference held at Bhaktivilas on the 13th and 14th of December 1934, to consider the above scheme.

Owing to the abnormal fall in the prices of agricultural products, many agriculturists who have borrowed money find themselves unable to meet their liabilities and are thus in danger of having their lands sold in court auction at low price in satisfaction of decrees obtained against them. On the other hand, the creditors are unable to obtain satisfaction of the decrees without recourse to courts of law and are thus compelled to incur legal costs frequently, without obtaining in a majority of cases full satisfaction of the debts due to them owing to the low price fetched by the sale of lands at the present time. With a view to prevent the sale of the agriculturists' lands on the one hand and to enable the creditors to obtain the moneys due to them on the other, steps are being taken in some of the British Indian Provinces and in a few Indian States to reduce the rates of interest and to concert measures for the relief of agricultural indebtedness in general. The reliefs granted by this Government by way of reduction in the tariff value of coconut products, remission of a portion of land tax, reduction in the rates of school fees, reduction of the rate of interest on loans issued by Government for agricultural purposes, raising of the maximum in the case of loans issued by the State Land Mortagage Bank, etc., have not, it is alleged, subtantially contributed to the solution of the problem of agricultural indebtedness. Government were accordingly anxiously considering ways and means to tackle the problem in other directions.

2. It was at this juncture that a deputation of non-officials waited on the Dewan and submitted a scheme on the subject for the consideration of Government. A conference was held at Bhaktivilas on the 13th December, 1934, under the presidency of the Dewan to consider the above scheme. The following officials and non-officials were present at the conference :—

1. Rao Sahib N. Kunjan Pillai, Esq., M. A., B. Sc., Ph D., Chief Secretary to Government.
2. K George, Esq., B. A., Land Revenue and Income Tax Commissioner
3. K. Parameswaran Pillai, Esq., B. A., B. L. Additional Head Sirkar Vakil.
4. U. Padmanabha Kukilaya, Esq., M. A., & B. L., Head Sirkar Vakil.
5. R. Nilakanta Pillai, Esq., B. A., B. L., Financial Secretary to Government.
6. K. Madhavan Pillai, Esq., L. M. & S., Member, State Council, Trivandrum
7. T. Kumara Pillai, Esq., Ex. M. L. C., Kalkulam.
8. M. R. Madhava Warrier, Esq., Ex. M. L. C., and Editor, The Malayali, Trivandrum.
9. K. I. Thomas, Esq., Planter, Kanjirapalli.
10. K. V. Joseph, Esq., Planter, Kanjirapalli.
11. K. R. Elenkath, Esq., Member, Legislative Assembly, Kalkulam.
12. T. P. Velayudhan Pillai, Esq., Member, Legislative Assembly, Chengannur.
13. P. A. Abraham, Esq., Ex- S. M. P. A. Member, and High Court Vakil, Trivandrum.

There was an informal and full discussion of the various aspects of agricultural indebtedness. The conference recognised the need for a thorough investigation and for fuller and more detailed information, especially statistical.

ORDER THEREON R. O. C. No. 490/35/REV., DATED THE 9TH JANUARY 1935.

Government resolve to appoint a small committee to collect data, investigate the extent of agricultural indebtedness and examine the various proposals contained in the non-official

schemes submitted to Government and also the methods adopted towards the relief of agricultural indebtedness in the various British Indian Provinces and other Indian States and to suggest such measures of relief as could be given effect to in this State. The Committee will consist of :—

i. The Land Revenue and Income Tax Commissioner (Chairman)
ii. The Additional Head Sirkar Vakil.
iii. The Financial Secretary to Government.
iv. P. A. Abraham, Esq., B. A., B. L., High Court Vakil, Trivandrum.
v. M. K. Anantasiva Iyer, Esq., Mankompu, Alleppey.
vi. T. Kumara Pillai, Esq., Manalikara, Kalkulam.

The Committee will deal with agricultural indebtedness only. They will frame a suitable definition of the expression "Agricultural indebtedness". An "agriculturist" may perhaps be defined as one who both earns his livelihood by agriculture and is either a landowner or tenant of agricultural land or who belongs to the servant class depending on agriculture. Commercial and other kinds of debts will be excluded from the ambit of the Committee's enquiry. They will specifically ascertain the views of the managers of Banks and other money-lenders on the various proposals for the relief of agricultural indebtedness. They will also examine the question whether a distinction should not be made between the debts incurred from 1105 owards, in respect of the relief to be afforded. The Committee will submit proposals for the necessary staff and also for the agency to be appointed, if necessary, to collect data and make an intensive investigation of the indebtedness of the agriculturists in a few typical villages.

The final report of the Committee should be submitted to Government not later than three months.

By order

N. KUNJAN PILLAI,

Chief Secretary to Government.

KSA LIBRARY, B'lore
B001745
630 1935
II-36